

# Financial Statements

## HB Healthcare Limited

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For the year ended 31 March 2017

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COMPANIES HOUSE

Registered Number 07096695

**NB Healthcare Limited**

**Financial statements for the year ended 31 March 2017**

## Company Information

**Registered Number**

07096695

**Registered office:**

Partis House  
Davy Avenue  
Milton Keynes  
Buckinghamshire  
MK5 8HJ

**Auditor:**

Grant Thornton UK LLP  
Grant Thornton House  
202 Silbury Boulevard  
Milton Keynes  
MK9 1LW

**Directors:**

James Caan  
Deepak Jalan  
Jason Stewart  
Luke Alexander Williams

## Index

	Page
<b>Strategic Report</b>	1
<b>Directors' Report</b>	4
<b>Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements</b>	5
<b>Independent auditor's report to the members of HB Healthcare Limited</b>	6
<b>Consolidated Profit and Loss Account</b>	8
<b>Consolidated Balance Sheet</b>	9
<b>Company Balance Sheet</b>	10
<b>Consolidated Cash Flow Statement</b>	11
<b>Consolidated Statement of Change in Equity</b>	12
<b>Company Statement of Change in Equity</b>	13
<b>Notes to the Financial Statements</b>	14

## Strategic Report (continued)

The directors present their strategic report and directors' report and financial statements for the year ended 31 March 2017.

### Principal activities

The Company's principal activity is that of a holding company, and currently has one investment in D.R.C. Holding Company Ltd, which in turn has two wholly owned subsidiaries, D.R.C. Locums Limited and Locumlinx Limited, both of which are in the business of providing locum doctors and health professionals to the NHS and private clients.

### Outlook and Current Trading

#### Business review

The Group achieved a turnover of £39.2m for the year ended 31 March 2017 compared with £42.9m for the year ended 31 March 2016.

Gross profit for the year was £8.6m (2016: £9.5m,) equivalent to 21.9% (2016: 22.1%) of turnover. After deducting £6.9m (2016: £7.5m) of administrative expenses excluding management fee, depreciation and amortisation and adding other income of £nil (2016: £218k) the Group generated an EBITDA of £1.7m (2016: £2.2m). Operating profit after management fee, depreciation and amortisation for the year was of £549k (2016: £980k) and after deducting finance costs and corporation tax achieved an overall profit for the year before dividends of £171k (2016: £473k).

#### Future developments

The business will aim to organically grow the nursing and doctors contract divisions and opened a mental health division in the financial year to take advantage of that growing market.

The Group will seek to develop more outsourced activities via its partners in India to supplement its organic growth model in complimentary service streams and reduce cost levels. In addition, the Company intends to capitalise on its successful managed service and master vendor contracts through its regional key accounts strategy with NHS clients.

#### Business environment

The UK market for healthcare recruitment has been particularly challenging since 2016 with the implementation of government sponsored charge rate caps and more recently with increased tax burden for Public Sector workers. This has led to uncertainty and delays in the NHS recruitment processes which has exacerbated staff shortages in areas of critical care. By working closely with our key NHS clients, current trading remains robust and we intend to take advantage of competitor fall out from this rapidly evolving marketplace. There has been no change in the fundamental dynamics of the marketplace whereby demand for clinical staff greatly outweighs supply. This situation will only be exacerbated through demographic and other factors further restricting clinician supply in the medium to long term. This is examined further in the "risks and uncertainties" section.

#### Strategy and outlook

The Group will focus on organic growth, supplemented by strategic bolt on acquisitions, and rigorous cost control measures to improve profitability. The Group is confident that it can increase its market share and develop new service offering for our clients, over the next year.

## Strategic Report (continued)

### Proposed dividend

The directors do not recommend the payment of a dividend (2016: £nil).

### Principal Risks and Uncertainties

The directors recognise that the principal business risks faced by the Group are:

#### i. National Frameworks

DRC Locums Limited and Locumlinx Limited are approved suppliers of medical locums under the Crown Commercial Services and Collaborative Procurement Partnership National Framework Agreements (NFA). DRC Locums was appointed to the CCS Framework Multi-Disciplinary Framework Agreement for the supply of Doctors, Nurses and AHP's on the 1st September 2015 and is one of 67 agencies appointed, the duration of the CCS Framework Agreement is 4 years. DRC Locums Limited remains as one of the largest suppliers of medical locums to the NHS and is therefore a key supplier of healthcare staff to the NHS and private sectors.

A number of strategic NHS partnership groups have formed a Clinical Staffing Framework covering Doctors, Nurses and AHP's. DRC Locums Limited was appointed on this new Framework known as NHS Collaborative Procurement Partnership (CPP) which went live on the 8th August 2016 and will run for a period of 4 years.

On the 1st March 2017 DRC Locums Limited was appointed to the All Wales Nursing Framework Agreement for the supply of agency nurses. The initial contract period runs for two years followed with an option to extend for a further 24 months.

On the 1st May 2017 DRC Locums Limited was appointed to the NHS National Services Scotland Framework Agreement for the supply of medical locums. The contract will run for a period of 3 years.

#### ii. Implementation of the reform of the intermediaries' legislation for Public Sector engagements

On the 6th April 2017, the government implemented the reform to the intermediaries' legislation for Public Sector engagements. Liability to pay the correct employment taxes has moved from the workers own personal service company (PSC's) to the Public-Sector body or recruitment agency/third party paying the PSC.

The above has had a major impact on the real or perceived income of workers in the Public Sector to the extent that many have questioned their continuance of working in the Public Sector. Those that are unable to work in the private sector may question the rationale of remaining a Locum Doctor or Nurse and may choose to take a permanent role in the NHS others may choose to return to their country of origin.

Management has successfully reacted to the imposition of this legislation through close collaboration with our key NHS Trust clients and our workers. We have partnered with a number of umbrella companies to offer our workers the most efficient employment solution whilst remaining fully compliant with the new legislation.

This has led to us maintaining a stable workforce across DRC Locum limited and Locumlinx service lines. We believe ultimately that continued expansion of health demand due to factors such as an ageing population will result in a continued increase in health spending per head of population over the medium to long term.

## Strategic Report (continued)

### iii. Locum Doctor and Nurse Supply

The Group is dependent upon the ability to source sufficient locum doctors and agency nurses to fulfil bookings. The uncertainty caused by Brexit has led to concerns as to the long-term availability of non-UK national locums. The Company is focused on the identification and delivery of sufficient locum doctors and nurses to mitigate this risk.

### Financing

The Group is reliant for its working capital on the existing invoice factoring, term loan and banking facilities. The directors have completed a detailed review of current trading which has included consideration of the financial position as at the date of approval of these financial statements and the projected results and financial position covering the next 12 months. The directors are confident that the Group will continue to generate positive cash flows from trading activities for the foreseeable future and the Group will continue in operational existence by meeting its liabilities as they fall due for payment.

### Employees

The Group recognises that its employees are its greatest asset and encourages a highly motivated working environment. Employees are given clear targets to achieve and measured against these consistently throughout their career. Support and training is provided to ensure employees develop their skills within the Companies.


The Companies held have embraced the Government's apprentice initiative enthusiastically and over 10% of our current employees have progressed the start of their careers through this programme.

### Key KPIs for the group:

The Group/Company management use the following KPI's to monitor the Group/Company monthly

- GM per hour: The value in £'s of the Gross Margin made for each worker hour
- Staff Costs as % of Gross Profit: The Group carefully manages their major cost line being Staff Costs with the aim that they are always below a certain level of the Gross Margin
- EBITDA/Gross Profit (Conversion Ratio): This is a traditional measure of the efficiency of a Recruitment Company

By order of the Board

  
Jason Stewart  
Director

23/09/17

## Directors' Report

### Directors

The directors who held office during the year were as follows:

James Caan  
Deepak Jalan  
Jason Stewart  
Luke Alexander Williams

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

HB Healthcare Limited has chosen in accordance with section 414C (11) of the Companies Act to set out in its Strategic Report information that is otherwise required to be contained in the Directors' Report.

By order of the board



Jason Stewart  
Director

23/09/17

## Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland).

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 and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent 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 Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking steps for the prevention and detection of fraud and other irregularities.



# Independent Auditor's Report to the members of HB Healthcare Limited

We have audited the financial statements of HB Healthcare Limited for the year ended 31 March 2017 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard in the UK and Republic of Ireland.

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 Statement of Directors' Responsibilities set out on page 5, 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **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 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

# Independent Auditor's Report to the members of HB Healthcare Limited (continued)

## Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report of the Directors' Report.

## 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 it 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.

*Grant Thornton UK LLP*

**Giles Mullins**

Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Milton Keynes

*28 September 2017*

## Consolidated Profit and Loss Account for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	2	39,152	42,915
Cost of sales		<u>(30,578)</u>	<u>(33,439)</u>
<b>Gross profit</b>		<b>8,574</b>	<b>9,476</b>
Administrative expenses	3	(8,025)	(8,714)
Other Income		<u>-</u>	<u>218</u>
<b>Operating profit</b>		<b>549</b>	<b>980</b>
Interest payable and similar charges	6	<u>(136)</u>	<u>(187)</u>
<b>Profit on ordinary activities before taxation</b>		<b>413</b>	<b>793</b>
<b>Tax on profit on ordinary activities</b>	7	<u>(242)</u>	<u>(320)</u>
<b>Profit for the financial year</b>		<u><b>171</b></u>	<u><b>473</b></u>

All of the activities are continuing.

There are no recognised gains and losses other than those stated above and therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 14 to 27 form part of these financial statements.

## Consolidated Balance Sheet at 31 March 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Intangible assets	8		9,597		10,397
Tangible assets	9		<u>162</u>		<u>106</u>
			9,759		10,503
Current assets					
Debtors	11	2,665		3,195	
Cash at bank and in hand		<u>928</u>		<u>349</u>	
		3,593		3,544	
Creditors: amounts falling due within one year	12	<u>(3,455)</u>		<u>(3,084)</u>	
Net current assets			<u>138</u>		<u>460</u>
Total assets less current liabilities			9,897		10,963
Creditors: amounts falling due after more than one year	13		(2,836)		(3,298)
Provisions for liabilities	15		<u>(57)</u>		<u>(82)</u>
Net assets			<u>7,004</u>		<u>7,583</u>
Capital and reserves					
Called up share capital	16		-		-
Profit and loss account			<u>7,004</u>		<u>7,583</u>
Shareholder's funds			<u>7,004</u>		<u>7,583</u>

These financial statements were approved by the board of directors on 27/9/2017 and were signed on its behalf:

Jason Stewart  
Director

Company registered number 07096695

The notes on pages 14 to 27 form part of these financial statements.

## Company Balance Sheet at 31 March 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Investments	10		<u>18,941</u>		<u>18,941</u>
			<u>18,941</u>		<u>18,941</u>
Current assets					
Debtors	11	88		106	
Cash at bank and in hand		<u>13</u>		<u>101</u>	
		101		207	
Creditors: amounts falling due within one year	12	<u>(8,653)</u>		<u>(7,430)</u>	
Net current liabilities			<u>(8,552)</u>		<u>(7,223)</u>
Total assets less current liabilities			10,389		11,718
Creditors: amounts falling due after more than one year	13		<u>(2,836)</u>		<u>(3,298)</u>
Net assets			<u>7,553</u>		<u>8,420</u>
Capital and reserves					
Called up share capital	16		-		-
Profit and loss account			<u>7,553</u>		<u>8,420</u>
Shareholder's funds			<u>7,553</u>		<u>8,420</u>

These financial statements were approved by the board of directors on 27/7/2017 and were signed on its behalf:

Jason Stewart  
Director

Company registered number 07096695

The notes on page 14 to 27 form part of these financial statements

## Consolidated Cash Flow Statement

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		171	473
Adjustments for:			
Depreciation, amortisation and impairment		848	867
Taxation		242	320
Interest payable		136	187
		<u>1,397</u>	<u>1,847</u>
Decrease/ (increase) in trade and other debtors		2,624	(242)
Increase/ (decrease) in trade and other creditors		264	(4,850)
(Decrease)/increase in provisions and employee benefits		(25)	24
		<u>4,260</u>	<u>(3,221)</u>
Dividends paid		(750)	-
Interest paid		(136)	(187)
Tax paid		(128)	(475)
		<u>3,246</u>	<u>(3,883)</u>
Net cash from operating activities			
Cash flows from investing activities			
Acquisition of tangible fixed assets	9	(104)	(73)
		<u>(104)</u>	<u>(73)</u>
Net cash from investing activities			
Cash flows from financing activities			
Proceeds from new loan	14	-	3,664
Repayment of borrowings	14	(462)	(245)
Movement in Finance Facility		(2,101)	784
		<u>(2,563)</u>	<u>4,203</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents		579	247
Cash and cash equivalents at 1 April		349	102
		<u>928</u>	<u>349</u>
Cash and cash equivalents at 31 March			

The notes on pages 14 to 27 form part of these financial statements

## Consolidated Statement of Changes in Equity

	Called up Share capital £000	Profit & loss account £000	Total Equity £000
Balance at 1 April 2015	-	7,110	7,110
Total comprehensive income for the year			
Profit for the year	-	473	473
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	473	473
Balance at 31 March 2016	-	7,583	7,583
	Called up Share capital £000	Profit & loss account £000	Total Equity £000
Balance at 1 April 2016	-	7,583	7,583
Total comprehensive income for the year			
Profit for the year	-	171	171
Other comprehensive income	-	-	-
Total comprehensive income for the year		171	171
Dividend Paid	-	(750)	(750)
Balance at 31 March 2017	-	7,004	7,004

The notes on pages 14 to 27 form part of these financial statements

## Company Statement of Changes in Equity

	Called up Share capital £000	Profit & loss account £000	Total Equity £000
Balance at 1 April 2015	-	8,498	8,498
Total comprehensive income for the year			
Loss for the year	-	(78)	(78)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(78)	(78)
Balance at 31 March 2016	-	8,420	8,420
	Called up Share capital £000	Profit & loss account £000	Total Equity £000
Balance at 1 April 2016	-	8,420	8,420
Total comprehensive income for the period			
Loss for the year	-	(117)	(117)
Other comprehensive income	-	-	-
Total comprehensive income for the period		(117)	(117)
Dividends paid	-	(750)	(750)
Balance at 31 March 2017	-	7,553	7,553

The notes on pages 14 to 27 form part of these financial statements



## Notes to the financial statements

### 1 Accounting policies

#### *Basis of preparation*

HB Healthcare Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations - Business combinations that took place prior to 1 April 2016 have not been restated

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### 1.1 Measurement Convention

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

## Notes to the financial statements

### 1 Accounting policies (continued)

#### 1.2 Going concern

The Group and Company's financial statements have been prepared on a going concern basis, notwithstanding net current assets/(liabilities) of £138k (2016: £460k) in the Group and (£8,552k) (2016: £7,223k) in the Company and overall net assets of £7,004k (2016: £7,583k) in the Group and £7,553k (2016: £8,420k) in the Company, which the directors believe to be appropriate for the following reasons:

- (i) DRC Locums Limited and Locumlinx Limited are approved suppliers of medical locums under the Crown Commercial Services and Collaborative Procurement Partnership National Framework Agreements (NFA). DRC Locums was appointed to the CCS Framework Multi-Disciplinary Framework Agreement for the supply of Doctors, Nurses and AHP's on the 1st September 2015 and is one of 67 agencies appointed, the duration of the CCS Framework Agreement is 4 years. DRC Locums Limited remains as one of the largest suppliers of medical locums to the NHS and is therefore a key supplier of healthcare staff to the NHS and private sectors.

A number of strategic NHS partnership groups have formed a Clinical Staffing Framework covering Doctors, Nurses and AHP's. DRC Locums Limited was appointed on this new Framework known as NHS Collaborative Procurement Partnership (CPP) which went live on the 8th August 2016 and will run for a period of 4 years.

On the 1st March 2017 DRC Locums Limited was appointed to the All Wales Nursing Framework Agreement for the supply of agency nurses. The initial contract period runs for two years followed with an option to extend for a further 24 months.

On the 1st May 2017 DRC Locums Limited was appointed to the NHS National Services Scotland Framework Agreement for the supply of medical locums. The contract will run for a period of 3 years.

- (ii) The Group is reliant for its working capital on the existing invoice discounting facilities and banking facilities. The directors have performed a detailed review of current trading which has included consideration of the financial position as at the date of approval of these financial statements and the projected/financial position covering the next 12 months. The directors have also considered the net total assets position at the year-end of £7,004k (2016: £7,583k).

The directors are confident that the Company will continue to generate positive cash flows from trading activities over the foreseeable future, and with support from the principal investors to cover any short-term shortfall in cash funds, the Company will continue in operational existence by meeting their liabilities as they fall due for payment.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

## Notes to the financial statements

### 1 Accounting policies (continued)

#### 1.3 Basis of Consolidation

The Consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

#### 1.4 Basic financial instruments

##### *Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Interest-bearing borrowings classified as basic financial instruments. Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### 1.5 Tangible Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Computer equipment 5 years
- Fixtures and fittings 5 years
- Leasehold improvements 14% straight line (the life of the lease)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

## Notes to the financial statements

### **1 Accounting policies (continued)**

#### **1.6 Intangible assets, goodwill and negative goodwill**

##### ***Goodwill***

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### ***Amortisation***

Goodwill is amortised on a straight-line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years. HB Healthcare Limited have taken the FRS 102 exemption for business combinations in order to continue to amortise goodwill over 20 years due to the business combination dating before the transition date. Amortisation is charged to profit and loss account within administrative expenses.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

#### **1.7 Turnover**

Turnover represents amounts receivable for the provision of contract staff and related services. Turnover arising from, the placement of permanent candidates is recognised at the time the candidate commences full-time employment.

Turnover arising from the placement of temporary staff is recognised over the period that temporary staff are provided and represents amounts billed for temporary staff, including the salary costs of these staff.

#### **1.8 Operating Leases**

All 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.

#### **1.9 Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

## Notes to the financial statements

### 2 Analysis of turnover

The Group's entire turnover arose within the United Kingdom and from the Group's principal trading activity.

### 3 Expenses and auditor's remuneration

	2017 £000	2016 £000
Included in profit are the following		
Depreciation of tangible assets	48	63
Amortisation of goodwill	800	804
Auditor remuneration:		
Fees payable to the Company's auditor for audit services	3	14
Fees payable to the subsidiaries' auditor for audit services	34	162
Tax	8	14
Operating leases:		
Plant and machinery	195	300
Other	59	15

### 4 Directors remuneration

	2017 £000	2016 £000
Directors' emoluments	268	357
	<u>268</u>	<u>357</u>

Only one of the directors is paid out of the Group. The pay in relation to their services to the entity amounts to £2k (2016: £2k).

### 5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Sales	100	88
Administration	29	26
	<u>129</u>	<u>114</u>

The aggregate payroll costs of these persons (excluding unpaid directors) were as follows:

## Notes to the financial statements

	2017 £000	2016 £000
Wages and salaries	4,983	5,208
Social security costs	569	600
Pensions	23	21
	<u>5,575</u>	<u>5,829</u>

### 6 Interest payable and similar charges

	2017 £000	2016 £000
Invoice discounting interest	59	186
Other interest	80	1
	<u>139</u>	<u>187</u>

### 7 Taxation

*Total tax expense recognised in the profit and loss account*

	2017 £000	2016 £000
Current Tax		
Current tax on income for the year	228	318
Adjustment in respect of prior periods		
Total current tax	<u>228</u>	<u>318</u>
Deferred tax		
Origination and reversal of timing differences	<u>14</u>	<u>-</u>
Total deferred tax	<u>14</u>	<u>2</u>
Total tax	<u>242</u>	<u>320</u>

*Factors affecting the tax charge for the current year*

The current tax charge for the period is higher (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below.

## Notes to the financial statements

### 7 Taxation (continued)

#### Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit on ordinary activities before tax	413	793
Current tax at 20% (2016: 20%)	83	158
Effects of:		
Expenses not deductible for tax purposes	161	162
Adjustments to tax charge in respect of current period	(2)	6
Effect of tax rate changes on fixed assets	-	(6)
Total tax charge (see above)	242	320

#### *Factors that may affect future tax charges*

The standard rate of UK corporation tax reduced from 21% to 20% with the effect from 1 April 2015.

Accordingly the company's results for this accounting period are taxed at an effective rate of 20%.

It was announced in the Budget of 8 July 2015 that the UK corporation tax rate will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. These rates were substantively enacted in October 2015. Further changes to the UK corporation tax rate were proposed in the budget of 16 March 2016 to further reduce the rate from 1 April 2020 to 17%. This rate was substantively enacted in September 2016.

Deferred tax balances have been stated at a rate which items are expected to reverse in line with the dates noted above.

## Notes to the financial statements

### 8 Intangible assets

Group	Goodwill £000	Total £000
Cost		
At beginning and end of year	15,995	15,995
Additions	-	-
At end of the year	<u>15,995</u>	<u>15,995</u>
Amortisation		
At the beginning of the year	5,598	5,598
Charge for the year	<u>800</u>	<u>800</u>
At end of year	<u>6,398</u>	<u>6,398</u>
Net book value		
At 31 March 2017	<u>9,597</u>	<u>9,597</u>
At 31 March 2016	<u>10,397</u>	<u>10,397</u>

Goodwill is amortised over 20 years, the anticipated useful life of the goodwill acquired.

During the year, management conducted an impairment review of goodwill which indicated that the recoverable amount exceeded carrying amount and therefore no impairment has been recognised. The recoverable amount is based on its net realisable value, which was calculated with reference to its value in use.

The directors concluded that there is no impairment of the goodwill value.



## Notes to the financial statements

### 8 Intangible assets (continued)

#### Impairment testing

Goodwill considered significant in comparison to the Company's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill	
	2017	2016
	£000	£000
D.R.C. Locums Ltd / Locumlinx Limited	9,597	10,397

The recoverable amount of DRC Locums Limited and Locumlinx Limited have been calculated with reference to its fair value less cost to sell. The key assumptions of this calculation are shown below

	2017	2016
	£000	£000
Period on which management approved forecasts are based	10 years	10 years
Growth rate applied beyond approved forecast period	0%	0%
Discount rate	10%	10%
Other key assumptions on which cash flow projections are based	Trade Debtor days average 43, Trade Creditor days average 30	Trade Debtor days average 45, Trade Creditor days average 30

Management have used an approved forecast period of 10 years because that there is certainty that the industry will exist throughout that period given continued staff shortages in the NHS. This situation could be exacerbated by Brexit as many Locums come from outside the UK.

The growth rate selected is lower than the growth rate of Agency Staff in the NHS which has increased by 22% per annum for the last 3 years (source: Department of Health). This to prudently reflect the effect of the recent rate caps that the Government has imposed.

## Notes to the financial statements

### 9 Tangible fixed assets

Group	Computer Equipment £000	Furniture and fittings £000	Leasehold improvements £000	Total £000
Cost				
At beginning of year	637	226	48	911
Additions	104	-	-	104
At end of year	<u>741</u>	<u>226</u>	<u>48</u>	<u>1,015</u>
Depreciation				
At beginning of year	546	226	33	805
Charge for year	40	-	8	48
At end of year	<u>586</u>	<u>226</u>	<u>41</u>	<u>853</u>
Net book value				
At 31 March 2017	<u>155</u>	<u>-</u>	<u>7</u>	<u>162</u>
At 31 March 2016	<u>91</u>	<u>-</u>	<u>15</u>	<u>106</u>

### 10 Fixed asset investments

Company	Shares in group undertakings £000
Cost	
At beginning of year	18,941
Additions	-
Net book value	
At 31 March 2017	<u>18,941</u>
At 31 March 2016	<u>18,941</u>

## Notes to the financial statements

### 10 Fixed asset investments

The principal undertakings in which the Company's interest at the period end is more than 20% are as follows:

	Country of in- corporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
D.R.C. Holding Company Ltd	United Kingdom	Holding company	Ordinary B shares 100%
Subsidiaries held by DRC Holding Company Ltd			
	United Kingdom	Provisions of locum doctors and health professionals	Ordinary shares 100%
DRC Locums Limited	United Kingdom	Provisions of locum doctors and health professionals	Ordinary shares 100%
Locumlinx Limited			

### 11 Debtors

	2017 £000	Group 2016 £000	2017 £000	Company 2016 £000
Trade debtors	1,387	1,063	-	-
Other debtors	9	194	-	11
Amounts owed by group undertakings	-	-	88	88
Dividend receivable	-	-	-	7
Prepayments and accrued income	1,269	1,931	-	-
Deferred tax asset	-	7	-	-
	<u>2,665</u>	<u>3,195</u>	<u>88</u>	<u>106</u>

The deferred tax (liability)/asset of (£6k) (2016: £7k) arose in respect of timing differences on capital allowances.

The trade debtors of £1,387k (2016: £1,063k) disclosed above is the result of netting off gross trade debtors of £3,772k (2016: £5,549k) and the related invoice factoring liability of £2,385k (2016: £4,486k) in line with FRS 102 guidelines.

## Notes to the financial statements

### 12 Creditors: amounts falling due within one year

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Bank loan (see notes below)	366	366	366	366
Trade creditors	340	-	392	-
Amounts owed to group undertakings	-	8,287	-	7,040
Social security	1,496	-	840	-
Taxation	155	-	54	-
Other creditors	632	-	256	17
Deferred Tax Liability	6	-	-	-
Accruals and deferred income	460	-	1,170	-
Preference dividends payable	-	-	6	7
	<u>3,455</u>	<u>8,653</u>	<u>3,084</u>	<u>7,430</u>

(i) the bank loan and advances on the invoice factoring account are secured by fixed and floating charges over the assets of the Group.

(ii) Included within Group bank loans is a proportion of term loan payable within one year of £366k (2016: £366k), which is repayable in instalments.

### 13 Creditors: amounts falling due after more than one year

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Bank loan	2,836	2,836	3,298	3,298

### 14 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost

	2017 £000	Group 2016 £000	2017 £000	Company 2016 £000
Creditors falling due more than one year	2,836	3,298	2,836	3,298
Secured bank loans	<u>2,836</u>	<u>3,298</u>	<u>2,836</u>	<u>3,298</u>
Creditors falling due within less than one year	366	366	366	366
Secured bank loans	<u>366</u>	<u>366</u>	<u>366</u>	<u>366</u>

## Notes to the financial statements

A term loan facility agreement of £6,000,000 was signed with HSBC on 10 February 2016 to provide £3,604,378 to pay deferred consideration, £60,000 as an arrangement fee and the balance of £2,335,622 to be used to finance acquisition costs or other purposes the Company may agree with the Bank. The loan is to be repaid over a 5-year period on a straight-line basis with a maximum repayment at the termination date of £3,000,000.

### 15 Provisions for liabilities

	Dilapidations £000
At beginning of year	82
Utilisation	(25)
At end of year	<u>57</u>

### 16 Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid		
100,000 (2016: 100,000) Ordinary		
B shares of £0.001 each	100	100
5,264 (2016: 5,264) Ordinary D		
shares of £0.001 each	5	5
	<u>105</u>	<u>105</u>
Shares classified in shareholders'		
funds	105	105
	<u>105</u>	<u>105</u>

The Company has two classes of shares, Ordinary B and Ordinary D shares.

## Notes to the financial statements

### 17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Group	2017 Land and buildings £000	2017 Other £000	2016 Land and buildings £000	2016 Other £000
Less than one year	120	55	195	11
Between one and five years	521	24	505	4
More than five years	193	-	329	-

During the year £254k was recognised as an expense in the profit and loss account in respect of operating leases (2016: £315k).

### 18 Related Party Transactions

Hamilton Bradshaw Limited

During the year DRC Locums Limited, incurred £288,000 (2016: £282,000) of board fees from Hamilton Bradshaw Limited. At the year-end £30,000 (2016: £nil) was due to Hamilton Bradshaw Limited. Directors of DRC Locums limited are holding directorships at Hamilton Bradshaw Limited. All of the transactions are at arms-length rates.

During the year Locumlinx Limited incurred £12,000 (2016: £18,000) of board fees from Hamilton Bradshaw Limited. At the year-end £nil (2016: £nil) was due to Hamilton Bradshaw Limited. Directors of Locumlinx limited are holding directorships at Hamilton Bradshaw Limited. All of these transactions are at arms-length rates.

### 19 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The ultimate controlling party is Syndicated Investor Group Limited, a company incorporated in Hong Kong.