

Interim Results

HCL
Expect more

Interim Results
Six months ended 30 June 2011
Company number: 04736913

KEY FEATURES

HIGHLIGHTS

Business challenges & the new Board's response

- HCL has an experienced new Board and executive management team which was formed during the first half of 2011.
- Challenges faced since the beginning of 2011 have been considerable. The new Board has needed to extensively restate prior year figures as set out in the 2010 Annual Report, refinance the Group to ensure future stability and plan the re-engineering of the UK business to meet the significantly changing needs of the healthcare staffing market.
- Inevitably the new Board has been unable to implement a number of its planned actions until the refinancing had been secured due to lack of cash and an inability to commit future funds. However, following the approval of the refinancing, by shareholders the Board now believes that HCL is in a far stronger position to respond to the changing needs of its UK customers by significantly re-engineering its UK business model and is well positioned for improved performance over the medium term.

UK & Australian businesses

- In the UK, HCL is a leading business; one capable of generating good levels of profit by delivering a high level of service on competitive terms to the NHS and private sector. It remains a top-three healthcare staffing provider and the new executive team is committed to substantially improve the business model, to address changing market dynamics.
- In Australia, the HCA business, which was acquired in December 2010, has since its acquisition continued to trade in line with expectations. The Board's goal is to build a broadly based specialist healthcare recruitment business in Australia, similar to HCL's position in the UK.
- The Board believes that operational benefits can be achieved over time by owning both the UK and Australian healthcare recruitment businesses.

Refinancing & Trading on AIM

- Since their appointment in early 2011, it has been the Directors' priority to stabilise the Group's capital structure by reducing debt, including funds received from the disposal of the Homecare Division in Australia in July 2011 and raising further funds for working capital.
- On 19 August 2011 the Board announced a refinancing plan, including a £60m placing. This was approved by shareholders in a General Meeting on 12 September 2011 and was accompanied by an open offer which raised a further £0.95m.
- Trading in the Company's shares resumed on 13 September 2011 following the approval of the refinancing.

Commenting on the results, Stephen Burke, Chief Executive, said:

"We anticipated difficult markets and continue to take timely action to ensure we are able to respond effectively to our clients' changing demands. These underlying results demonstrate the Group's resilience as it has performed to our expectations in challenging conditions."

"Our UK and Australian footprints mean that we are well positioned for improved performance."

FINANCIAL SUMMARY	2011 H1	2010 H1	2010
Consolidated Income Statement	Unaudited	Unaudited	Audited
	£ Million	£ Million	£ Million
Revenue	116.8	74.9	154.9
Gross Profit	26.3	20.9	40.7
Gross Profit %	23%	28%	26%
Adjusted EBITDA *	3.7	2.7	(0.2)
Adjusted Profit/(loss) from operations **	0.5	1.7	(3.0)
Highlighted items:			
Goodwill impairment	-	-	(46.0)
Others (net) **	(9.7)	(0.2)	(3.1)
(Loss)/profit from operations	(9.2)	1.5	(52.1)
Foreign exchange gains (net)	0.4	-	1.5
Finance expense (net)	(10.2)	(0.7)	(5.9)
(Loss)/profit before taxation	(19.0)	0.8	(56.5)
Tax benefit/(expense)	1.2	-	2.1
(Loss)/profit for the period from continuing operations	(17.8)	0.8	(54.4)
Profit for the period from discontinued operations, net of tax	0.7	-	-
(Loss)/profit for the period	(17.1)	0.8	(54.4)
Basic earnings per share from continuing operations (pence)	(15.7)p	0.7p	(50.0)p

* Adjusted EBITDA is adjusted Profit / (loss) from operations before depreciation of property, plant and equipment, amortisation of intangibles and share scheme charges.

** Adjusted Profit / (loss) from operations refers to Profit / (loss) from operations before impairment of goodwill and other highlighted items as analysed in Note 8 to the Interim Results.

CHAIRMAN'S STATEMENT

Introduction

The unaudited Interim Results for the six months ended 30 June 2011 are being issued to shareholders 6 weeks after the 2010 Annual Report and Accounts ("Annual Report") were published on 19 August 2011.

As shareholders will be aware, on 25 January 2011 the Board announced the suspension of its shares from trading on AIM with immediate effect. The announcement stated that the Board had strong reason to believe that the financial performance of HCL for the year ended 31 December 2010 would be materially below expectations. Serious accounting irregularities had been brought to the attention of the Board as a result of which the Company announced that it would be carrying out an immediate investigation to consider the financial implications.

Since then, an entirely new board has been appointed. David Henderson and I were appointed on 18 February 2011. We were pleased to be joined on 10 May 2011 by Stephen Burke as Chief Executive Officer, Colin Whipp as Interim Chief Financial Officer and Andy McRae as Managing Director of Healthcare Australia Holdings Pty Limited.

Results of the investigations

Following the announcement on 25 January 2011, and, as already reported to shareholders, there was an internal investigation into the serious accounting irregularities, the circumstances surrounding their existence and the financial implications for the Group.

As already reported to shareholders, the principal findings of the internal investigation and other reviews by the Directors and the corrective actions taken resulted in a reduction of net assets at 31 December 2009 from the previously reported £67.2m to the restated £50.0m, a reduction of 26%.

Additionally, the unaudited results for the six months ended 30 June 2010 had to be restated, as explained in the Financial Review.

The Board has sought to ensure that appropriate remedial measures have been taken. New processes have been put in place so that monthly management accounts can be relied upon in the future.

Further information about the investigations and the findings is provided in the Chairman's Statement on pages 2 and 3 in the 2010 Annual Report, which may be viewed on the HCL website www.hclplc.com.

The Board, with its legal advisers, is currently considering how best to progress any claims that the Company may be able to bring in connection with the matters described above. The Board continues to reserve its rights, to take appropriate action.

Disposal of Homecare Division in Australia

On 18 July 2011, as a first major step in reducing the Group's debt levels, the Directors were pleased to announce that the Company's wholly owned Australian subsidiary, Healthcare Australia Holdings (Pty) Ltd ("HCA") had completed the sale of its Homecare Division. The gross consideration was A\$34m (approximately £22.4m). The net proceeds of the sale (after estimated expenses of A\$2m) have been used to reduce the Group's debt. The sale is estimated to have generated a gain of £2.7m after expenses which will be accounted for in the 2011 annual results.

As further explained in the Financial Review, the Homecare Division has been treated as a discontinued operation in the interim results.

Results for the six months ended 30 June 2011

As analysed in the Results Summary in the Financial Review, the Board reports adjusted EBITDA (from continuing operations) of £3.7m (2010 H1: £2.7m, 2010 year: £(0.2)m Loss). After highlighted items of £9.7m (2010 H1: £0.2m, 2010 year: £49.1m, the Loss before taxation from continuing operations was £19.0m (2010 H1: £0.8m profit, 2010 year: £56.5m loss).

As previously reported, during 2010 the Group's previous strategy in the UK of operating largely by contracts not governed by Framework Agreements (FAs) left it wrong-footed and ill-prepared to respond sufficiently to the increasing focus of NHS spending through purchasing FAs, which typically have a lower margin than off-framework business. The previous Board's failure to respond to the changing market place meant firstly that the business had an inadequate supply of locums clinically compliant with the more detailed and onerous framework standards and secondly, that it had access to only a restricted number of FAs.

As explained in the Operational Review, the like-for-like * impact on the UK business in 2011 H1 compared with 2010 H2 was a reduction in revenue of 18% and gross profit of 17%. The UK's gross profit percentage rose slightly from 24% to 25%.

* adjusting 2010 H2 as though the acquisitions made during that half year had been made on 1 July 2010.

Your new Board has taken initial measures to re-engineer the UK business model to ensure that it is adapted to accommodate the significant changes in its market place. Inevitably the new Board had been unable to implement a number of its planned actions until the refinancing had been secured due to lack of cash and an inability to commit future funds. However, following the approval by shareholders of the refinancing, it is now possible to undertake these required changes and investments.

A more detailed review of the financial information for the period is provided in the Financial Review.

Dividends

As a result of the Group's constrained financial position and the Company's distributable reserves being in deficit at 30 June 2011, the Board is not proposing an interim dividend (2010: 1.8p).

Board

The Board of HCL comprises three Executive Directors and two Non-Executive Directors, all of whom joined after 25 January 2011.

As previously reported to shareholders, the Interim Chief Financial and Restructuring Officer, Colin Whipp, has announced that following the successful stabilisation and recapitalisation of HCL he will be stepping down. The publication today of the Interim Results concludes Colin's duties. He has quickly and effectively identified and tackled the extremely complex financial challenges faced by the Group and his work has been essential in securing the long-term future of the business. The Board and I thank Colin for his significant contribution and wish him well.

As from 1 October 2011 William ("Bill") Jessup, aged 59, will be appointed to the Board as the Interim Chief Financial Officer. Bill is a Chartered Accountant and has been the CFO of a number of quoted companies on both a permanent and interim basis, most recently at Ricardo PLC. He has previous experience in the UK healthcare recruitment sector as a non executive director of Blue Group for five years before it was acquired by HCL in 2006.

As from 1 October 2011 Mark Andrews, aged 59, will join the Board as Non-Executive Director. Mark was until 2011 a partner specialising in restructuring at SNR Denton UK LLP and was head of the firm's Restructuring Group in the UK for 20 years until 2010. Mark remains a consultant to SNR Denton UK LLP and is a council member of the Association of Business Recovery Professionals.

Following the completion of the refinancing and as previously reported, the Board has commenced the process of recruiting a permanent Chief Financial Officer and is seeking to appoint an additional non-executive director.

Corporate Governance

As I explained to shareholders in the 2010 Annual Report, on joining as Chairman it was evident that there were extremely poor levels of Corporate Governance.

The new Board is committed to maintaining high standards of Corporate Governance.

Having already implemented several changes I will be reporting to shareholders in the 2011 Annual Report on further developments in the Group's Corporate Governance.

Refinancing & Restoration of trading in the Company's shares

On 19 August 2011 the Board announced a substantial refinancing designed to secure the Company's future. The Board of HCL was pleased that all the resolutions proposed at the General Meeting held on 12 September 2011 were duly passed by shareholders. Accordingly the refinancing was completed and trading resumed in the Company's shares on 13 September 2011. The refinancing put it on a solid financial footing and provided it with the requisite cash and debt resources and capital structure to give it the capability to generate significant returns and enable trading in the Company's shares on AIM to be resumed. Further information on the refinancing is provided in Note 19 (iv) to the Interim Results.

Note 19 (iv) to the Interim Results reports the unaudited pro-forma illustrative balance sheet. This shows the impact that the refinancing and the sale of the Homecare Division would have had on the balance sheet at 30 June 2011, had they occurred before 30 June 2011. Net debt falls very substantially from the £121.2m reported at 30 June 2011 to £ 23.9m on the pro-forma basis.

The Future

Since the announcement on 25 January 2011 of the suspension of the Company's shares from trading on AIM, the Group has faced considerable challenges. However, the Board is pleased to report that significant progress has been made. The investigations have been completed, accounts restated and senior management changed. The re-financing, approved by shareholders, has removed a major risk facing the Group.

With these issues behind us, management is now concentrating on resolving the outstanding issues relating to past performance on NHS contracts described in the 2010 Annual Report, re-engineering the UK business and adapting it to the changing demands of its customers. Initiatives to improve business processes, business systems and corporate governance are continuing.

In Australia, we have good prospects for growth through extending our offering into Allied Health Professionals on a national bases, rolling out our existing doctor locum business across the country and further developing the nurse agency activities in the Eastern States.

With the re-financing complete, the Board and I remain confident that HCL can grow and prosper.



Peter Sullivan
Chairman

30 September 2011

FINANCIAL REVIEW

Introduction

The Interim Results for the six months ended 30 June 2011 have been prepared on the basis of the Group's accounting policies set out in the Statement of Significant Accounting Policies in the 2010 Annual Report on pages 45 to 50. The Critical Accounting Estimates and Judgements are set out in the 2010 Annual Report on page 50.

Restatement of unaudited results for six months ended 30 June 2010

In the 2010 Annual Report issued on 19 August 2011, the Board set out the need to restate 2009 and earlier years' Financial Statements. Further information on the nature and quantum of these adjustments can be found in Note 1 of the Financial Statements in the 2010 Annual Report.

The Board's reviews concluded that the unaudited results for the six months ended 30 June 2010 previously reported to shareholders should also be restated, as follows:

	Adjustments			H1 2010 Restated £ Million
	H1 2010 Previously stated £ Million	To comply with then Accounting Policies * £ Million	Effect of PYAs made in 2010 Financial Statements ** £ Million	
Revenue	76.4	(1.5)	-	74.9
Cost of sales	(54.0)	-	-	(54.0)
Gross Profit	22.4	(1.5)	-	20.9
Administrative expenses	(14.8)	(6.6)	2.0	(19.4)
Profit from Operations	7.6	(8.1)	2.0	1.5
Financing costs (net)	(0.8)	0.1	-	(0.7)
Profit before taxation	6.8	(8.0)	2.0	0.8

* In the 2010 Annual Report on page 8 the Administrative expenses were restated as £16.7m, with £(3.9)m of adjustments to comply with then extant Accounting policies. Since the publication of the 2010 Annual Report, further investigation has identified that an additional £2.7m of adjustments is required: £1.3m for legal costs incorrectly capitalised and £1.4m for incorrectly capitalised payroll costs and other adjustments. The effect of these further adjustments of £2.7m is to reduce Profit before taxation from the £3.5m reported in the 2010 Annual Report to £0.8m now reported in the table above. No adjustment is required to the 2010 Financial Year audited results.

** PYAs = Prior Year Adjustments. Note 5 to the Interim Results provides further information about the Prior Year Adjustments and their impact.

The Prior Year Adjustments reported above show the effect on the previously reported unaudited results for the six months ended 30 June 2010. The £2.0m adjustment in the table above arose from the impact in the six months period of accelerated depreciation and amortisation in 2009 and earlier years of £1.0m and accruals made in 2009 of £1.0m and hence lower costs in the period.

Results Summary

	2011 H1 Unaudited	2010 H1 Unaudited Restated	2010 Year Audited
	£ Million	£ Million	£ Million
Revenue	116.8	74.9	154.9
Cost of Sales	(90.5)	(54.0)	(114.2)
Gross Profit	26.3	20.9	40.7
Gross Profit %	23%	28%	26%
Administrative expenses	(22.6)	(18.2)	(40.9)
Adjusted EBITDA *	3.7	2.7	(0.2)
Depreciation of property, plant and equipment	(0.6)	(0.3)	(0.6)
Amortisation of intangible assets	(3.1)	(0.4)	(1.7)
Share scheme credits/(charges)	0.5	(0.3)	(0.5)
Adjusted Profit/(loss) from continuing operations**	0.5	1.7	(3.0)
Highlighted items:			
Goodwill impairment	-	-	(46.0)
Others (net) **	(9.7)	(0.2)	(3.1)
(Loss)/profit from continuing operations	(9.2)	1.5	(52.1)
Foreign exchange gains (net)	0.4	-	1.5
Finance expense (net)	(10.2)	(0.7)	(5.9)
(Loss)/profit before taxation from continuing operations	(19.0)	0.8	(56.5)
Tax benefit/(expense)	1.2	-	2.1
(Loss)/profit for the period from continuing operations	(17.8)	0.8	(54.4)
Profit for the period from discontinued operations, net of tax	0.7	-	-
(Loss)/profit for the period	(17.1)	0.8	(54.4)
Basic earnings per share from continuing operations (pence)	(15.7)p	0.7p	(50.0)p

* Adjusted EBITDA is adjusted Profit / (loss) from operations before depreciation of property, plant and equipment, amortisation of intangibles and share scheme charges.

** Adjusted Profit / (loss) from operations refers to Profit / (loss) from operations before impairment of goodwill and other highlighted items as analysed in Note 8 to the Interim Results.

Information on the Group's businesses, together with the effect of acquisitions made in 2010 H2 on Revenue and Gross Profit, is provided in the Operational Review.

Administrative expenses (before non-cash charges) increased by £4.4m from 2010 H1: (£18.2m) to 2011 H1: (£22.6m). Australia expenses, where HCA was acquired in December 2010, rose by £7.8m to £8.1m while UK-based administrative expenses fell by 19% to £14.5m. Further information, including on share scheme credits / (charges), is provided in Note 7 to the Interim Results.

Other highlighted items may be analysed as follows:

	2011 H1 Unaudited £ Million	2010 H1 Unaudited £ Million	2010 Year Audited £ Million
Other operating income:			
Gain on fair value changes in contingent consideration	-	-	4.2
	-	-	4.2
Other operating expenses:			
Acquisition related transaction costs	-	-	(2.8)
Adjustments for deferred consideration as per Deed of Variation	(4.1)	-	-
Costs related to investigation into and restatement of accounting irregularities	(1.6)	-	-
Costs related to proposed refinancing of business	(2.7)	-	-
Costs related to advice concerning potential disposal of business	-	-	(1.4)
Restructuring costs	(1.3)	(0.2)	(1.4)
Impairment of property, plant and equipment	-	-	(0.4)
Impairment of other intangible assets	-	-	(1.3)
	(9.7)	(0.2)	(7.3)
Other operating income/(expenses), net	(9.7)	(0.2)	(3.1)

Further information on the loss on fair value changes in deferred and contingent consideration is provided in Note 15 to the Interim Results.

Information on the Group's income taxes is provided in Note 10 to the Interim Results.

Discontinued Operations - Disposal of Homecare Division in Australia

On 27 June 2011 the Group announced that it had agreed to sell its Australian Homecare Division to KinCare Health Services Pty Limited for A\$34m (approximately £22.4m) before estimated expenses of A\$2m. Subsequent to the period end, the sale was completed on 18 July 2011 and the net cash proceeds were used to reduce the Group's debt.

This is estimated to have generated a gain of £2.7m after expenses. The gain will be accounted for in the 2011 annual results.

The Homecare Division was acquired in December 2010 as one of the three principal lines of business within Healthcare Australia Holdings Pty Ltd (HCA). In the year ended 31 December 2010 the Homecare Division's revenue was around 20% of HCA's revenue.

Unlike the rest of the Group, the Homecare Division only provides services to individuals in their homes.

In accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations, in the Interim Results the Homecare Division's performance has been reported separately in the Consolidated Income Statement and its non-current assets held-for-sale reported separately in the Consolidated Statement of Financial Position.

The Board believes that separately highlighting the results of discontinued operations provides shareholders with information that is relevant in assessing the ongoing ability of the Group to generate cash flows.

The profit, net of tax, for the period from discontinued operations was £0.7m.

Further information is provided in Note 11 to the Interim Results.

Dividends

The Directors are not proposing an interim dividend (2010: 1.8p).

Cashflow

The following table reconciles the (Loss)/profit for the period to the Cashflow from operating activities:

	2011 H1 Unaudited £ Million	2010 H1 Unaudited £ Million	2010 Year Audited £ Million
(Loss)/Profit for the period	(17.1)	0.8	(54.4)
Adjustments for:			
Depreciation, loss on disposal, amortisation & impairment	4.3	0.7	50.0
Finance expense (net)	10.6	0.8	5.9
Share based payments (credits)/charges	(0.5)	0.3	0.6
Corporation tax benefit	(1.2)	-	(2.1)
Loss/(Gain) on Fair Value changes in contingent and deferred consideration	4.1	-	(4.2)
Cash flows from operating activities before changes in working capital and provisions	0.2	2.6	(4.2)
Change in working capital	(2.9)	7.5	9.2
Cash (utilised by)/generated from operations	(2.7)	10.1	5.0
Corporation tax paid	(2.9)	(2.0)	(4.0)
Cash flow from operating activities	(5.6)	8.1	1.0

2011 H1 Cashflow from operating activities was an outflow of £5.6m, including £2.9m of UK Corporation tax on 2009's profits paid late in January 2011. Including this £2.9m, the overdue amounts payable to HM Revenue & Customs ("HMRC") at 31 December 2010 were £6.4m. Overdue amounts were reduced to £2.0m at 30 June 2011. There were no overdue payments to HMRC as at the date of this report.

The following table analyses Cashflows from Investing and Financing activities:

	2011 H1 Unaudited £ Million	2010 H1 Unaudited £ Million	2010 Year Audited £ Million
Cash flow from operating activities	(5.6)	8.1	1.0
Investing activities			
Acquisition of subsidiaries (net of cash acquired)	-	-	(89.8)
Deferred and Contingent consideration paid	(0.9)	-	-
Acquisition of property, plant and equipment and intangible assets	(0.2)	(1.5)	(1.8)
Net cash used in investing activities	(1.1)	(1.5)	(91.6)
Financing activities			
Issue of ordinary shares	-	0.8	11.7
New loans acquired	6.9	0.4	140.5
Interest and similar expenses paid	(4.2)	(0.8)	(4.7)
Loan fees	(2.3)	-	(7.7)
Repayment of borrowings	(0.2)	(2.4)	(24.9)
Dividends	(2.0)	(3.6)	(3.6)
Net cash (used in)/provided by financing activities	(1.8)	(5.6)	111.3
Effect of exchange rates movements	0.9	-	(2.8)
Movement in cash	(7.6)	1.0	17.9

During the period the new Board secured additional bank funding to enable the Group to be stabilised and to ensure the Company was able to continue to trade ahead of the refinancing. Loan fees of £2.3m were paid.

Borrowings

Net borrowings at 30 June 2011 were £121.2m (31 December 2010: £104.5m).

Net borrowings may be analysed as follows:

	30 June 2011 Unaudited £ Million	31 December 2010 Audited £ Million
Bank loans:		
Loans - Principal amount	132.9	124.6
Less : Unamortised loan fees	(7.1)	(7.6)
Less: Fair value of warrants	(2.6)	(3.0)
	123.2	114.0
Bank overdraft	-	0.1
Finance lease liability	0.7	0.9
	123.9	115.0
Less: Cash	(2.7)	(10.5)
Net debt	121.2	104.5

Classification of loans as current liabilities

As set out in the 2010 Annual Report, the Board believes that it is probable that at 31 December 2010 and subsequently - until the Refinancing was approved by shareholders on 12 September 2011 – the Group was in default under the Senior Facilities Agreement ('SFA') and Mezzanine Facility Agreement ('MFA') with its lending banks. As further explained in Note 15 to the Interim Results, the Board considers it appropriate to classify the Group's loans as current liabilities as at 30 June 2011. During the restructuring process, the lending banks waived their rights in relation to any potential defaults.

Refinancing

The Board has sought to address the Group's financing challenges by way of a refinancing, which was approved by shareholders on 12 September 2011. Note 19 (iv) sets out the key terms of the refinancing.

A pro-forma illustrative balance sheet showing the impact of refinancing upon the balance sheet at 30 June 2011 is reported in Note 19 to the Interim Results to indicate the effect which the refinancing and the sale of the Homecare Division would have had, had they occurred at 30 June 2011.

The overall effect is to reduce net debt very significantly from £121.2m to £23.9m.

Risks

The Group considers strategic, financial and operational risks and identifies actions to mitigate those risks.

The Group's key risks were disclosed on pages 24 to 26 of the 2010 Annual Report.

Risk 1 was the importance of passing the Refinancing Resolutions (at the General Meeting on 12 September 2011) to complete the Refinancing. All the Resolutions were passed.

Save for Risk 1, the risks are unchanged since the 2010 Annual Report was published on 19 August 2011. The Board remains vigilant in monitoring and seeking to mitigate these potential remaining risks.

Information on Contingent assets and liabilities is provided in Note 17 to the Interim Results.

Banks loans – Principal amount at 30 June 2011 may be reconciled to 31 December 2010 as follows:

	£ Million
At 31 December 2010	124.6
New loans acquired	6.9
Repayments	(0.2)
Capitalised interest	0.8
Effect of foreign exchange	0.8
At 30 June 2011	132.9

Events occurring after the reporting period

As noted above, subsequent to the period end, the sale was completed on 18 July 2011 of the Group's Australian Homecare Division.

Information on the refinancing, which was approved by shareholders on 12 September 2011, is provided in Note 19 (iv) to the Interim Results.

Further information on Events occurring after the reporting period is provided in Note 19 to the Interim Results.



Colin Whipp

Interim Chief Financial Officer

30 September 2011

OPERATIONAL REVIEW

Key Features in 2011 H1

UK:

- NHS market remains challenging with a reduction in volumes and in Gross Profit, as HCL migrates onto the Framework Agreements.
- UK Nursing division and Permanent recruitment showing underlying growth in Gross Profit compared to H2 2010.
- Cost reductions made to reflect the current trading levels.
- Closure of US and Canadian offices to reduce cost base.

Australia:

- Accounting for 44% of the Group's Gross Profit in the period, trading was in line with expectations.

Group Strategy

As set out in the 2010 Annual Report, the Group's strategy is founded on a commitment to strong operational and cost control. It is the intention to grow the business organically, building on what is already a top three healthcare staffing business in the UK (Source: Laing & Buisson May 2011) and a leading Australian healthcare staffing firm.

In the UK, the process of adapting to the changed public sector environment is now well underway. We are focused on building a long term relationship with the NHS and with private sector providers through a stringent compliance and quality led offering with pricing transparency. We believe that the current economic pressures and the longer term market dynamics referred to below will give rise to opportunities for well-positioned providers to demonstrate efficiency and value for money in outsourcing services.

We have undertaken a detailed review of the internal systems and are now investing in improved systems and compliance structures. We are also considering a simplified brand structure, which, we believe, will enhance our market presence whilst generating both cost savings and improved productivity.

HCA is the largest nursing agency in Australia and a Panel Supplier (Tier 1) in all States and Territories. Notwithstanding its leading position, we see significant growth opportunities in a consolidating market, particularly in the populous Eastern States, being Queensland, New South Wales and Victoria. We are in the process of expanding Last Minute Locums, the locum Doctor business acquired in August 2010, from its core market in New South Wales into

the other States and we will pursue the same organic strategy for Allied Health Professionals in Australia. Our goal is to build a broadly based specialist healthcare recruitment business in Australia, similar to HCL's position in the UK market.

Market dynamics favour the Group's new business model and long term drivers of growth – the growing and ageing population in the UK and Australia, the demand for greater flexibility amongst both healthcare workers and providers – remain unchanged.

On the following pages I report on the UK business's Revenue and Gross Profit for 2011 H1 compared with 2010 H1 and H2, including the impact of acquisitions made in 2010 H2, and then on each UK division.

Andy McRae, the Managing Director of Healthcare Australia, then reports on the Australian business.



Stephen Burke

Chief Executive Officer

30 September 2011

UK Business - Performance by Segment

The table below analyses the performance of the UK businesses, adjusting for the impact of the acquisitions made during 2010 H2:

Revenue	2010 H1	Organic change	2010 H2				Organic change	2011 H1	
	Restated		Organic	Acquisitions *	As Reported	Acquisitions **		Underlying	As reported
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	
Doctors	17.0	(0.8)	16.2	0.7	16.9	0.1	17.0	(3.3)	13.7
Qualified Social Workers	18.5	(1.6)	16.9		16.9		16.9	(2.6)	14.3
Allied Health Professionals	32.3	(6.8)	25.5	2.9	28.4	0.4	28.8	(6.0)	22.8
Nursing	4.5	(1.2)	3.3	4.2	7.5	1.5	9.0	(1.0)	8.0
Permanent Placements	2.9	(1.2)	1.7		1.7		1.7	(0.4)	1.3
Inter- segment ***	(0.3)	(0.1)	(0.4)		(0.4)		(0.4)	0.3	(0.1)
UK	74.9	(11.7)	63.2	7.8	71.0	2.0	73.0	(13.0)	60.0

Gross Profit	2010 H1	Organic change	2010 H2				Organic change	2011 H1	
	Restated		Organic	Acquisitions *	As Reported	Acquisitions **		Underlying	As reported
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	
Doctors	3.4	(0.6)	2.8	0.1	2.9		2.9	(0.8)	2.1
Qualified Social Workers	3.3	0.2	3.5		3.5		3.5	(0.8)	2.7
Allied Health Professionals	10.0	(2.5)	7.5	0.6	8.1	0.1	8.2	(2.0)	6.2
Nursing	1.2	(0.2)	1.0	0.8	1.8	0.3	2.1	0.3	2.4
Permanent Placements	2.9	(1.2)	1.7		1.7		1.7	(0.4)	1.3
Inter - segment ***	0.1	(0.7)	(0.6)		(0.6)		(0.6)	0.6	
UK	20.9	(5.0)	15.9	1.5	17.4	0.4	17.8	(3.1)	14.7

Gross Profit %	2010 H1	2010 H2		2010 H2	2011 H1
	Restated	Organic		Underlying	As reported
	%	%		%	%
Doctors	20%	17%		17%	15%
Qualified Social Workers	18%	21%		21%	19%
Allied Health Professionals	31%	29%		28%	27%
Nursing	27%	30%		23%	30%
Permanent Placements	100%	100%		100%	100%
Inter - segment ***	-33%				
UK	28%	25%		24%	25%

* Effect of the acquisitions from the date acquired to 31 December 2010

** Effect of the acquisitions from 1 July 2010 to the date acquired.

*** Inter-segment adjustments, which include other reconciling items, represent removal of the overlapping commission revenue from placements recognised by two or more segments and measurement differences between the basis used to report invoiced transactions to the chief operating decision maker and the basis used in the Financial Statements.

2011 H1 may be reconciled to 2010 H2 Underlying as follows:

	Gross Profit £ Million
2010 H2 Underlying	17.8
Due to :	
Effect of lower Volume	- 3.2
Effect of higher GP%	+ 0.1
	- 3.1
2011 H1	14.7

Revenue in 2011 H1 was down 18% on 2010 H2; Underlying and Gross Profit down 17%.

Doctors

% of UK Gross Profit in 2011 H1: 14%

	2010 H2 Underlying £ Million	2011 H1 As Reported £ Million	Change %
Revenue	17.0	13.7	- 19%
Gross Profit	2.9	2.1	- 28%
Gross Profit %	17%	15%	- 2%

The process started in 2010 to ensure that the division's database had fully compliant candidates who were available for work under the NHS PASA framework, continued through 2011 H1 and leaves the division well positioned to operate in the current environment.

Our position in the market remains good and, as previously reported, recent contract wins within key regions of the UK - such as PROCure (Beds, Bucks, Oxfordshire, Hampshire, IOW) and NWCCA (North West region) - have increased our fill rate opportunities and serve as reference sites for new tenders in the future.

Margin pressures remain a challenge for the business, however we believe that the long-term outlook is positive as the NHS is still suffering from a shortage of doctors and there are doctors who chose to work as locums due to the flexibility it offers.

Qualified Social Workers

% of UK Gross Profit in 2011 H1: 17%

	2010 H2 Underlying £ Million	2011 H1 As Reported £ Million	Change %
Revenue	16.9	14.3	- 15%
Gross Profit	3.5	2.7	- 23%
Gross Profit %	21%	19%	- 2%

The market for Qualified Social Workers (QSWs) is split between direct supply to Local Authorities and supply through Master Vendors.

Whilst demand from end clients for QSWs remains acute, the trend that developed towards the end of 2010, which saw an increase in case loads for Social Workers, continued into 2011 affecting the level of demand. This has particularly affected our 'off contract' business and has also resulted in margin pressure in the Master Vendor contracts.

Action was taken at the end of 2011 H1 to reduce the consultant headcount and align it to current trading conditions. We have also addressed our business processes, which we anticipate will result in increased fill rates in future.

Allied Health Professionals

% of UK Gross Profit in 2011 H1: 42%

	2010 H2 Underlying £ Million	2011 H1 As Reported £ Million	Change %
Revenue	28.8	22.8	- 21%
Gross Profit	8.2	6.2	- 24%
Gross Profit %	28%	27%	- 1%

The Allied Health Professionals (AHP) division has historically been a supplier of locum staff to the NHS outside of the Framework Agreements. During the final months of H1 2011 a key initiative to migrate locums to Framework supply was commenced as we moved to better align ourselves with our customers' requirements.

The division holds National Framework Agreement and regional hub contracts, including London, Southern England and the North West, providing an opportunity to increase volumes significantly in future.

Nursing

% of UK Gross Profit in 2011 H1: 16%

	2010 H2 Underlying £ Million	2011 H1 As Reported £ Million	Change %
Revenue	9.0	8.0	- 11%
Gross Profit	2.1	2.4	+ 14%
<i>Gross Profit %</i>	23%	30%	+ 7%

Progress in the Nursing division has been encouraging with increased underlying gross profit and gross profit % over H2 2010. However, the market remains short of candidates and the main challenge that we face is maintaining the pace of growth of our compliant database.

As previously reported, we have expanded our NHS coverage regionally, providing us access to NHS Framework business in the North West, East and West Midlands, Oxfordshire, Bucks and along the South Coast. MPS Healthcare has consolidated its position as the leading supplier of Nurses and experienced Health Care Support Workers on the All Wales Agency Project, which has been achieved through a commitment to quality and maintaining the highest standards of clinical governance.

We have also successfully developed our capability to service care packages and to provide nursing services which are not in a hospital setting, such as Community Services where demand continues to increase. The pressure on beds in the NHS presents the opportunity to develop the scope of our Community Care Section to include Hospital Admission Prevention, Discharge Support and End of Life. Such activities regularly use temporary staff as nurses are often only required for short periods of time.

At present, the NHS represents over 90% of our revenues. However there are opportunities to expand our non-NHS client base. If waiting times within the NHS increase and other cost cutting measures are implemented, private healthcare service providers are expected to see an increase in demand. The Board believes that HCL Nursing is well placed to meet this anticipated demand.

Permanent Placements

% of UK Gross Profit in 2011 H1: 9%

	2010 H2 Underlying £ Million	2011 H1 As Reported £ Million	Change %
Revenue	1.7	1.3	- 24%
Gross Profit	1.7	1.3	- 24%
<i>Gross Profit %</i>	100%	100%	-

The business has been refocused on permanent placements in the UK, particularly attracting international candidates into the UK from European Union countries as well as candidates based in Australia and New Zealand through the working holiday visa scheme. The decision to close the loss making North American offices was taken in H1 2011.

The total headcount in this division has been reduced from 80, at 31 December 2010, to 30 at 30 June 2011. This provides a solid foundation from which the division can grow when market conditions improve.

There have been some early indications that, for critical areas, NHS Trusts may now be able to secure higher numbers of Certificates of Sponsorship* from the UK Border Agency. The Board believes that HCL remains well placed to deliver global sourcing projects to its clients.

* a Certificate of Sponsorship is a 'virtual document', with a unique reference number issued to a migrant so that they can apply for permission to enter the UK if they are overseas (known as 'entry clearance'), or permission to stay in the UK if they are already here (known as 'leave to remain').

Australia

Introduction

On 1 August 2010 the Group acquired the business and assets of Last Minute Locums Pty Ltd ("LML"), a Sydney based medical staffing business with a database of over 3,500 qualified doctors and operating primarily across New South Wales. On 20 December 2010, the Group completed the acquisition of 100% of the issued share capital of Healthcare Australia Holdings Pty Ltd (HCA). The consideration (including contingent and deferred consideration) for the two businesses was £89.4m (HCA: £83.3m, LML £6.1m).

HCA was established in 2004 and is a leading provider of nursing agency staff to public and private health institutions in Australia. HCA has grown rapidly by acquisition and is the largest national nursing agency in Australia, with operations in all States and Territories and with a database of approximately 6,300 active nurses.

Following the acquisition of Healthcare Australia ("HCA") in December 2010, HCL's Australian business comprised the nursing agency, Last Minute Locums ("LML"), the locum doctor agency acquired by HCL in August 2010 and the Homecare division.

Importantly the acquisition of HCA significantly enhances HCL's international capability; in 2011 H1 some 44% of the Group's Continuing Gross Profit arose in Australia (excluding the Homecare Division, which was sold in July 2011). The Homecare Division was not regarded as being core to HCL's business and was sold in July 2011 for a gross consideration of A\$34m. The net disposal proceeds of approximately \$32m were used to repay bank debt taken on by HCL at the time of the acquisition of HCA.

As noted above under Group Strategy, it is the Board's intention to develop a broadly based specialist healthcare recruitment division in Australia. Principal customers in Australia include the Departments of Health for each State, Private Hospital Groups and the Department for Defence

Performance – 18 months ending 30 June 2011

The table below reports performance for the Australian Continuing business for the three half years commencing 1 January 2010 i.e. including periods prior to HCL ownership. As noted above, the Group's period of ownership commenced during 2010 H2.

	2010 H1	2010 H2	2011 H1
	A\$ Million	A\$ Million	A\$ Million
Continuing			
Revenue	85.1	90.0	86.1
Gross Profit	17.0	17.7	17.7
Gross Profit %	20%	20%	21%
Administrative expenses *	(9.7)	(11.0)	(12.0)
Adjusted EBITDA	7.3	6.7	5.7
Amortisation & depreciation	(3.2)	(2.9)	(4.0)
Adjusted Profit from operations	4.1	3.8	1.7
Highlighted items	(0.8)	(5.6)	(1.2)
Profit from operations	3.3	(1.8)	0.5

* Before amortisation & depreciation

For information, the A\$: £ exchange rates have been as follows:

20 December 2010 *	1.57
Average 20 December 2010 to 31 December 2010	1.55
31 December 2010	1.53
Average 1 January 2011 to 30 June 2011	1.52
30 June 2011	1.50

* Date of acquisition of HCA

Investment in central services

Notwithstanding the fact that HCA is significantly larger than any other comparator business in Australia, it is evident that the lack of historic investment by the previous Private Equity owners in central services and necessary corporate infrastructure within HCA has limited the business' ability to capitalise on the growth opportunities in the market place.

Accordingly, during 2011 H1 we have made a number of key appointments in sales, marketing and HR which we believe will help drive future growth of all of our businesses in Australia. During the period we successfully implemented an external rebranding of HCA, including the launch of a new, interactive website www.healthcareaustralia.com.au.

Our efforts to focus on the proactive management of national and key accounts was rewarded with the renewal of a panel contract with one of the State based Public health systems for a further five years to 30 June 2016. We have also been successful in securing preferred supplier status contracts within the Aged Care sector in Australia.

Nursing agency (87% of HCA's Continuing Gross Profit in 2011 H1)

Although demand for agency nursing was adversely impacted early in the year in Queensland (which accounts for about 7% of HCA's Continuing Revenue) as a result of the widespread floods that occurred across the State, market conditions for the HCA nursing agency have remained positive during the period. Shift demand for nurses from clients in the Public and Private sectors remains at encouraging levels presently.

Recognising that the demand for nursing staff in Australia currently exceeds our ability to supply, we have been investing in increasing our candidate generation marketing activities. These are due to commence in 2011 H2 and are planned to increase nurse supply to meet current unmet demand and drive revenue and profit growth. The focus of such candidate marketing is to be on the Eastern States (being New South Wales, Victoria and Queensland), where HCA is underweight relative to the market opportunity.

During the period the business continued to make progress in increasing its penetration of the Aged Care nursing sector and this has been an important factor in returning the South Australian business to growth following two years of revenue decline.

Locum doctors (12% of HCA's Continuing Gross Profit in 2011 H1)

The market for locum doctors remains positive. One of the opportunities for LML is to secure its standing as an approved panel supplier in all States and Territories. We are also seeking to accelerate the growth and development of LML through leveraging existing client relationships within the nursing agency business. LML has traditionally focussed on the Eastern seaboard states, primarily New South Wales. Plans are aimed at broadening the geographic reach of the business throughout Australia.

Having been acquired in August 2010, during the period the operational and financial integration of LML into HCA was completed.

Permanent recruitment (1% of HCA's Continuing Gross Profit in 2011 H1)

Since the start of the year, we have launched a permanent recruitment division in Australia, focussing initially on domestic recruitment of doctors and nurses. In doing so, we are working closely with the UK business to ensure that we capitalise fully on the opportunities to utilise the pipeline of candidates in the UK and Europe who wish to consider working in Australia. Similarly, we have recently opened a New Zealand resourcing office, which will focus on the sourcing of nurses and doctors to locum or permanent positions in Australia.

Although in its infancy, we are encouraged by the progress of the Permanent recruitment division.

**Andy McRae**

Managing Director of Healthcare Australia
30 September 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34, as adopted by the European Union.

The Directors of Healthcare Locums plc at the date of this report are disclosed in the 2010 Annual Report on page 27.

By order of the Board



Martin T Hughes
Company Secretary

30 September 2010

Cautionary Statement

This interim financial information has been prepared for the shareholders of HCL as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. HCL and its Directors and employees are not responsible for any other purpose or use or to any other person in relation to this announcement.

The report contains 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 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. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Unaudited Interim Financial Statements

Consolidated Statement of Comprehensive Income

	Note	6 months ended 30 June 2011 Unaudited £ Million	6 months ended 30 June 2010 Unaudited Restated £ Million	Year ended 31 December 2010 Audited £ Million
Revenue	5,6	116.8	74.9	154.9
Cost of sales		(90.5)	(54.0)	(114.2)
Gross profit	5,6	26.3	20.9	40.7
Administrative expenses	7	(25.8)	(19.2)	(43.7)
Highlighted items:				
Goodwill impairment		-	-	(46.0)
Other operating income		-	-	4.2
Other operating expenses	8	(9.7)	(0.2)	(7.3)
(Loss)/profit from operations		(9.2)	1.5	(52.1)
Foreign exchange gains, net		0.4	-	1.5
Finance income	9	0.1	0.3	0.5
Finance expense	9	(10.3)	(1.0)	(6.4)
(Loss)/profit before taxation		(19.0)	0.8	(56.5)
Tax benefit	10	1.2	-	2.1
(Loss)/profit for the period from continuing operations		(17.8)	0.8	(54.4)
Profit for the period from discontinued operations, net of tax	11	0.7	-	-
(Loss)/profit for the period attributable to owners of the parent		(17.1)	0.8	(54.4)
Other comprehensive income:				
Release of deferred losses on cash flow hedges		-	0.3	0.7
Tax relating to cash flow hedge reserve		-	-	(0.3)
Translation adjustment		(0.1)	-	(0.2)
Total other comprehensive income		(0.1)	0.3	0.2
Total comprehensive (Loss)/income for the period		(17.2)	1.1	(54.2)
Total comprehensive (Loss)/income attributable to equity shareholders arises from:				
- Continuing operations		(17.9)	1.1	(54.2)
- Discontinued operations		0.7	-	-
Earnings/(loss) per share attributable to owners of the parent				
Basic (pence) from continuing operations		(15.7)	0.7	(50.0)
Diluted (pence) from continuing operations		(15.7)	0.6	(50.0)
Basic (pence) from discontinued operations		0.4	-	-
Diluted (pence) from discontinued operations		0.4	-	-

The Notes are an integral part of these Unaudited Interim Financial Statements

Consolidated Statement of Changes in Equity

	Note	Called up share capital	Share premium	Cash flow hedge reserve	Share option reserve	Translation reserve	Retained earnings	Total Equity
		Unaudited £ Million	Unaudited £ Million	Unaudited £ Million	Unaudited £ Million	Unaudited £ Million	Unaudited £ Million	Unaudited £ Million
Balance at 1 January 2010		10.5	34.5	(0.7)	1.1	-	4.6	50.0
Profit for the period		-	-	-	-	-	0.8	0.8
Other comprehensive income for the period		-	-	0.3	-	-	-	0.3
Dividends	12	-	-	-	-	-	(3.6)	(3.6)
Issue of share capital		0.1	0.7	-	-	-	-	0.8
Credit in respect of share scheme charges		-	-	-	0.3	-	-	0.3
Balance at 30 June 2010		10.6	35.2	(0.4)	1.4	-	1.8	48.6
Balance at 1 January 2010		10.5	34.5	(0.7)	1.1	-	4.6	50.0
Loss for the year		-	-	-	-	-	(54.4)	(54.4)
Other comprehensive income for the year		-	-	0.7	-	(0.2)	(0.3)	0.2
Dividends	12	-	-	-	-	-	(3.6)	(3.6)
Issue of share capital		0.8	10.8	-	-	-	-	11.6
Deferred tax recognised on share based payments		-	-	-	-	-	(0.7)	(0.7)
Warrants issued during the period		-	-	-	3.0	-	-	3.0
Credit in respect of share scheme charges		-	-	-	0.6	-	-	0.6
Balance at 31 December 2010		11.3	45.3	-	4.7	(0.2)	(54.4)	6.7
Balance at 1 January 2011		11.3	45.3	-	4.7	(0.2)	(54.4)	6.7
Loss for the period		-	-	-	-	-	(17.1)	(17.1)
Other comprehensive income for the period		-	-	-	-	(0.1)	(0.1)	(0.2)
Dividends	12	-	-	-	-	-	(2.0)	(2.0)
Charge in respect of share scheme charges		-	-	-	(0.6)	-	-	(0.6)
Balance at 30 June 2011		11.3	45.3	-	4.1	(0.3)	(73.6)	(13.2)

The Notes are an integral part of these Unaudited Interim Financial Statements.

Consolidated Statement of Financial Position

	Note	As at 30 June 2011 Unaudited £ Million	As at 30 June 2010 Unaudited Restated £ Million	As at 31 December 2010 Audited £ Million
ASSETS				
Non-current assets				
Property, plant and equipment	13	2.3	1.6	2.8
Goodwill	13	38.6	60.3	41.4
Other intangible assets	13	58.5	3.7	77.0
Deferred tax asset		4.9	0.1	5.1
		104.3	65.7	126.3
Current assets				
Trade and other receivables		28.7	21.3	36.5
Current tax receivable		3.6	-	-
Cash and cash equivalents (excluding short-term borrowings)		2.7	-	10.5
		35.0	21.3	47.0
Assets classified as held for sale	11	23.9	-	-
		58.9	21.3	47.0
Total assets		163.2	87.0	173.3
LIABILITIES				
Non-current liabilities				
Long term borrowings	14	(0.3)	(3.5)	(0.5)
Deferred tax liability		(6.3)	(0.1)	(8.8)
Deferred consideration due over one year	15	(3.0)	-	-
Contingent consideration due over one year	15	-	-	(0.8)
Long term provisions		(1.4)	-	(2.1)
		(11.0)	(3.6)	(12.2)
Current liabilities				
Trade and other payables		(24.7)	(20.1)	(32.7)
Short term borrowings	14	-	(6.5)	(0.1)
Current portion of long-term borrowings	14	(123.6)	(4.3)	(114.4)
Current tax payable		-	(3.5)	(0.5)
Current portion of deferred consideration	15	(2.7)	-	-
Current portion of contingent consideration	15	(1.9)	-	(2.8)
Short term provisions		(3.6)	-	(2.2)
Derivative financial liabilities		(2.4)	(0.4)	(1.7)
		(158.9)	(34.8)	(154.4)
Liabilities classified as held for sale	11	(6.5)	-	-
Total liabilities		(176.4)	(38.4)	(166.6)
TOTAL NET ASSETS		(13.2)	48.6	6.7
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE PARENT				
Share capital		11.3	10.6	11.3
Share premium reserve		45.3	35.2	45.3
Cash flow hedge reserve		-	(0.4)	-
Share option reserve		4.1	1.4	4.7
Translation reserve		(0.3)	-	(0.2)
Retained earnings		(73.6)	1.8	(54.4)
TOTAL EQUITY		(13.2)	48.6	6.7

The Notes are an integral part of these Unaudited Interim Financial Statements

Consolidated Statement of Cash Flows

	Note	6 months ended 30 June 2011 Unaudited	6 months ended 30 June 2010 Unaudited Restated	Year ended 31 December 2010 Audited
		£ Million	£ Million	£ Million
Cash flows from operating activities				
(Loss)/profit for the period		(17.1)	0.8	(54.4)
Adjustments for:				
Loss/(gain) on fair value changes in contingent and deferred consideration	15	4.1	-	(4.2)
Depreciation of property, plant and equipment		0.6	0.3	0.6
Amortisation of intangible assets		3.8	0.4	1.7
Goodwill impairment		-	-	46.0
Impairment of property, plant and equipment		-	-	0.4
Impairment of other intangible assets		-	-	1.3
Finance income		(0.1)	(0.2)	(0.5)
Finance expense		10.7	1.0	6.4
Gain on disposal of property, plant and equipment and other intangible assets		(0.1)	-	-
Share based (credits)/charges		(0.5)	0.3	0.6
Corporation tax benefit		(1.2)	-	(2.1)
Cash flows from operating activities before changes in working capital		0.2	2.6	(4.2)
Changes in receivables		5.7	5.9	10.2
Changes in payables		(8.6)	1.6	(1.0)
Cash (utilised by)/generated from operations		(2.7)	10.1	5.0
Corporation tax paid		(2.9)	(2.0)	(4.0)
Net cash flows from operating activities		(5.6)	8.1	1.0
Investing activities				
Acquisition of subsidiaries, net of cash acquired		-	-	(89.8)
Deferred and Contingent consideration paid	15	(0.9)	-	-
Acquisition of property, plant and equipment		(0.2)	(0.9)	(1.3)
Acquisition of intangible assets		-	(0.6)	(0.5)
Net cash used in investing activities		(1.1)	(1.5)	(91.6)
Financing activities				
Issue of ordinary shares		-	0.8	11.7
New loans acquired		6.9	0.4	140.5
Interest and similar expenses paid		(4.2)	(0.8)	(4.7)
Loan fees		(2.3)	-	(7.7)
Repayment of borrowings		(0.2)	(2.4)	(24.9)
Dividends paid to the owners of the parent	12	(2.0)	(3.6)	(3.6)
Net cash (used in)/provided by financing activities		(1.8)	(5.6)	111.3
Net (decrease)/ increase in cash and cash equivalents		(8.5)	1.0	20.7
Cash and cash equivalents at the beginning of the period (incl short term borrowings)		10.4	(7.5)	(7.5)
Effect of exchange rates on cash and cash equivalents		0.8	-	(2.8)
Cash and cash equivalents at the end of the period (incl short term borrowings)		2.7	(6.5)	10.4

The Notes are an integral part of these Unaudited interim Financial Statements.

Notes

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (unaudited)

1. GENERAL INFORMATION

Healthcare Locums plc is a public limited company incorporated and domiciled in England with company number 04736913. The Company is listed on the Alternative Investment Market (AIM), a sub-market of the London Stock Exchange.

Copies of this half year report are available from the registered office: 10 Old Bailey, London EC4M 7NG, and may be viewed on the HCL website www.hclplc.com.

This condensed consolidated interim financial information was approved for issue on 30 September 2011. This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2010 were approved by the Board of Directors on 19 August 2011 and delivered to the Registrar of Companies.

The Independent Auditors' Report on the consolidated financial statements for the year ended 31 December 2010 on pages 39-40 of the Annual Report 2010 was qualified by way of a limitation of scope and included references to matters which the auditors drew attention to by way of two emphases. Additionally, the audit report contained statements under both section 498(2) of the Companies Act 2006 concerning the adequacy of accounting records and 498(3) of the Companies Act 2006 concerning the failure to obtain all necessary information and explanations. These qualifications were in respect of a limitation of scope over the Consolidated Statement of Comprehensive Income for the year ended 31 December 2010 and the comparative figures for both the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position. The audit report states that there would be no financial effect from the adjustments referred to within the limitation of scope, if any, on net assets reported as at 31 December 2010.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRS as adopted by the European Union.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those adopted and disclosed in the consolidated financial statements for the year ended 31 December 2010, with the exception of certain amendments to accounting standards or new interpretations issued by the International Accounting Standards Board, which were applicable from 1 January 2011. These have not had a material impact on the Group.

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings for 2011.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

4. SEASONALITY

The Group's activities are not subject to significant seasonal variation.

5. PRIOR YEAR ADJUSTMENTS

As already reported to shareholders in the consolidated financial statements for the year ended 31 December 2010 in Note 1, the Board considers that the investigation referred to in the Chairman's Statement of that report revealed that previously reported results were consistently overstated, both to shareholders in 2008, 2009 and in the 2010 Interim Results and subsequently to the Board in the internal management accounts in the second half of 2010.

The nature of the adjustments and the impact on the financial items affected in the Group Statement of Financial Position at 30 June 2010 is stated below. The unaudited impact on the reported revenue, profit from operations and profit for the six months ended 30 June 2010 may be summarised as follows:

	Revenue £ Million	Profit from operations £ Million	Profit for the period £ Million
As previously reported	76.4	7.6	5.1
Adjustments *	(1.5)	(6.1)	(4.3)
As restated	74.9	1.5	0.8

* The current Board have concluded that the unaudited results for the six months ended 30 June 2010 reported to shareholders by the previous Board require adjustments to comply with the Group's Accounting Policies then extant. These adjustments reduced Profit for the period by £6.3m. In addition, adjustments are required for the consequential impact of the Prior Year Adjustments made to Net equity as at 1 January 2010 as reported in Note 1 in the 2010 Annual Report. These adjustments increased Profit for the period by £2.0m.

The unaudited impact of the prior year adjustments on the previously reported Group Statement of Financial Position as at 30 June 2010 may be summarised as follows:

	As previously reported £ Million	Impact of restatements £ Million	Restated £ Million
Property, plant and equipment	2.9	(1.3)	1.6
Goodwill	60.3	-	60.3
Other intangible assets	13.0	(9.3)	3.7
Deferred tax asset	0.1	-	0.1
Trade and other receivables	32.0	(10.7)	21.3
Deferred tax liability	(1.0)	0.9	(0.1)
Trade and other payables	(16.0)	(4.1)	(20.1)
Current tax payable	(6.4)	2.9	(3.5)
Short term borrowings	(6.6)	0.1	(6.5)
Long term borrowings	(8.2)	-	(8.2)
Net Equity	70.1	(21.5)	48.6

6. SEGMENTAL ANALYSIS

	6 months ended 30 June 2011		6 months ended 30 June 2010		Year ended 31 December 2010	
	Unaudited		Unaudited & Restated		Audited	
	Revenue £ Million	Segment Gross Profit £ Million	Revenue £ Million	Segment Gross Profit £ Million	Revenue £ Million	Segment Gross Profit £ Million
Locum Doctors	13.7	2.1	17.0	3.4	33.9	6.3
Locum Qualified Social Workers	14.3	2.7	18.5	3.3	35.4	6.8
Locum Allied Health Professionals	22.8	6.2	32.3	10.0	60.7	18.1
Locum Nursing	8.0	2.4	4.5	1.2	12.0	3.0
Permanent Placements	1.3	1.3	2.9	2.9	4.6	4.6
Inter-segment *	(0.1)	-	(0.3)	0.1	(0.7)	(0.5)
Total UK operations	60.0	14.7	74.9	20.9	145.9	38.3
Australia	56.8	11.6	-	-	9.0	2.4
Continuing operations	116.8	26.3	74.9	20.9	154.9	40.7
Administrative expenses		(25.8)		(19.2)		(43.7)
Goodwill impairment		-		-		(46.0)
Other operating income/(expense), net		(9.7)		(0.2)		(3.1)
(Loss)/profit from operations		(9.2)		1.5		(52.1)
Foreign exchange gains, net		0.4		-		1.5
Finance income		0.1		0.3		0.5
Finance expenses		(10.3)		(1.0)		(6.4)
(Loss)/profit before taxation from continuing operations		(19.0)		0.8		(56.5)

* Inter-segment adjustments represent removal of the overlapping commission revenue from placements recognised by two or more segments and measurement differences between the basis used to report invoiced transactions to the chief operating decision maker and the basis used in this condensed consolidated interim financial information.

Separate entities operating as registered NHS trusts in the UK are considered a single customer by the Group. Of total Group revenue, NHS accounted for 35.4% excluding discontinued operations (2010: 66.1%). No Australian individual customers contributed more than 10% of the Group's revenue in H1 2011.

7. ADMINISTRATIVE EXPENSES

An unaudited analysis of costs is as follows:

	6 months ended 30 June 2011 £ Million	6 months ended 30 June 2010 £ Million	Year Ended December 2010 £ Million
UK based administration expenses (incl.Plc)	14.5	17.9	38.5
Depreciation, amortisation & share scheme movements	0.6	1.0	2.5
Total UK based expenses	15.1	18.9	41.0
Australian based administration expenses	8.1	0.3	2.3
Depreciation & amortisation	2.6	-	0.4
Total Australian based expenses	10.7	0.3	2.7
TOTAL	25.8	19.2	43.7

The increase in total administrative expenses in the first six months of 2011 over 2010 is essentially due to the acquisition of HCA in December 2010.

UK based expenses have reduced as a result of lower headcount and staffing costs, share based scheme costs and legal fees. Share based credits for the six months ended 30 June 2011 of £0.5m (six months ended 30 June 2010 charge £0.3m, 2010 Year charge £0.6m). The credit in the period arose from the forfeiture of Directors and staff options.

8. OTHER OPERATING EXPENSES

	6 months ended 30 June 2011 Unaudited	6 months ended 30 June 2010 Unaudited Restated	Year ended 31 December 2010 Audited
	£ Million	£ Million	£ Million
Acquisition related transaction costs	-	-	(2.8)
Adjustments for deferred consideration as per Deed of Variation	(4.1)	-	-
Costs related to investigation into and restatement of accounting irregularities	(1.6)	-	-
Costs related to proposed refinancing of business *	(2.7)	-	-
Costs related to advice concerning potential disposal of business	-	-	(1.4)
Restructuring costs	(1.3)	(0.2)	(1.4)
Impairment of property, plant and equipment	-	-	(0.4)
Impairment of other intangible assets	-	-	(1.3)
	(9.7)	(0.2)	(7.3)

* The proposed refinancing was approved by shareholders on 12 September 2011. See Note 19 (iv).

9. FINANCE INCOME AND EXPENSE

	6 months ended 30 June 2011 Unaudited	6 months ended 30 June 2010 Unaudited Restated	Year ended 31 December 2010 Audited
	£ Million	£ Million	£ Million
Finance Income			
Interest received on bank deposits	0.1	-	-
Gain on fair value changes in derivative financial instruments	-	0.3	0.5
	0.1	0.3	0.5
Finance Expense			
Loans, overdrafts and invoice discounting facility	(8.3)	(0.9)	(3.7)
Finance lease interest	(0.1)	(0.1)	(0.2)
Loss on fair value changes in derivative financial instruments	(1.9)	-	(2.5)
	(10.3)	(1.0)	(6.4)

10. INCOME TAXES

No current income tax expense is expected to result from the continuing activities for the six months ended 30 June 2011 as a result of pre-tax losses incurred during the period. No carry back of tax losses is possible, given the loss making position of the Group for the period ended 31 December 2010. Deferred Tax assets have been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred tax assets in respect of:

- (i) £4.9m in respect of losses in prior periods amounting to £18.2m which can be carried forward against future taxable income;
- (ii) £4.5m in respect of items other than tax losses; and
- (iii) Losses accrued within the six months to 30 June 2011.

11. DISCONTINUED OPERATIONS

On 27 June 2011 the Group announced that its wholly-owned Australian subsidiary, HCA had agreed to sell its Australian Homecare Division to KinCare Health Services Pty Limited.

The disposal enables HCL to focus on the development of the core UK and Australian businesses and to realise value from non-core elements of the business. The net proceeds have been used to reduce the Group's debt. The sale is in line with the Board's belief that the Homecare Division is non-core to the overall business of the Group and reflects that the Homecare Division would have required further investment to realise its true potential.

The Homecare Division is disclosed as a discontinued operation and the unaudited assets and liabilities which have been reclassified to Assets and Liabilities held for sale are as follows:

	£ Million
Property, plant and equipment	0.3
Intangible assets – Goodwill	3.1
Intangible assets – other	15.9
Deferred Tax Asset	0.3
Trade and other receivables	3.8
Cash and cash equivalents	0.4
Assets held for sale	23.8

	£ Million
Deferred tax liability	(2.7)
Short term provisions	(1.7)
Trade and other payables	(2.1)
Liabilities held for sale	(6.5)
Net assets held for sale	17.3

The above net assets exclude inter-company payable balances to HCL companies of A\$8.5m (£5.6m) not taken over by KinCare. After the period end, on 18 July 2011, the sale was completed for gross consideration (before estimated expenses of A\$2m) of A\$34m (approximately £22.4m). This is estimated to have generated a book gain of £2.7m after costs associated with the sale which will be accounted for in the 2011 annual results.

An analysis of the results and cash flows of the discontinued operations is as follows:

	6 months ended 30 June 2011 Unaudited £ Million	Period * ended 31 December 2010 Unaudited £ Million
Revenue	15.3	2.3
Cost of sales	(11.0)	(1.7)
Gross profit	4.3	0.6
Administrative expenses	(3.7)	(0.5)
Other operating income/(expense)	0.1	(0.1)
Profit from operations	0.7	-
Finance expense (net)	-	-
Profit before taxation	0.7	-
Tax benefit/(expense)	-	-
Profit for the period from discontinued operations	0.7	-
Operating cash flows	1.3	0.3
Investing cash flows	-	-
Financing cash flows	(0.1)	-
Total cash flows	1.2	0.3

* The Homecare Division was acquired as part of the Group's acquisition of Healthcare Australia Holdings Pty Limited on 20 December 2010. There are no comparative figures for the six months ended 30 June 2010.

12. DIVIDENDS

The Directors are not declaring an interim dividend for 2011 (2010 – 1.8p).

	6 months ended 30 June 2011 Unaudited £ Million	6 months ended 30 June 2010 Unaudited £ Million	Year ended 31 December 2010 Audited £ Million
Interim dividend of 1.8p (2010 – 1.5p) per ordinary share paid during the year relating to the previous year's results	2.0	1.6	1.6
No Final dividend (2010 - 1.9p per ordinary share) proposed relating to the previous year's results	-	2.0	2.0
	2.0	3.6	3.6

13. OTHER NON-CURRENT ASSETS

	Property, Plant & Equipment Unaudited £ Million	Goodwill Unaudited £ Million	Other Intangible Assets Unaudited £ Million
Six months ended 30 June 2010			
Opening net book amounts as at 1 January 2010	1.0	60.3	3.6
Additions	1.3	-	0.5
Disposals	(0.4)	-	-
Depreciation and amortisation	(0.3)	-	(0.4)
Closing net book amount as at 30 June 2010	1.6	60.3	3.7
Year ended 31 December 2010			
Opening net book amounts as at 1 January 2010	1.0	60.3	3.6
Additions	1.3	26.5	0.5
Acquisition of subsidiary	1.5	-	73.7
Effect of movement in foreign exchange	-	0.6	2.2
Depreciation and amortisation	(0.6)	-	(1.7)
Impairment	(0.4)	(46.0)	(1.3)
Closing net book amount as at 31 December 2010	2.8	41.4	77.0
Six months ended 30 June 2011			
Opening net book amounts as at 1 January 2011	2.8	41.4	77.0
Additions	0.1	-	0.1
Disposals	(0.1)	-	-
Disposal Group reclassified as held for sale	(0.3)	(3.1)	(15.9)
Reclassifications	0.3	-	(0.3)
Effect of movement in foreign exchange	0.1	0.3	1.4
Depreciation and amortisation	(0.6)	-	(3.8)
Closing net book amount as at 30 June 2011	2.3	38.6	58.5

14. BORROWINGS

Borrowings are analysed as follows:

	30 June 2011 Unaudited £ Million	30 June 2010 Restated £ Million	31 December 2010 Audited £ Million
Bank overdraft	-	-	0.1
Invoice Discounting Facility	-	6.5	-
Bank loans	123.2	7.3	114.0
Obligations under finance leases and hire purchase contracts	0.7	0.5	0.9
Total borrowings	123.9	14.3	115.0
Less: Cash in hand	(2.7)	-	(10.5)
Net borrowings	121.2	14.3	104.5

The bank loans outstanding as at 30 June 2011 in the table above are after reducing the unamortised fees of £7.1m and unamortised fair value of warrants of £2.6m.

The Board believes that it is probable that at 31 December 2010 the Group went into default under the Senior Facilities Agreement ('SFA') and Mezzanine Facility Agreement ('MFA') with its lending banks. The lending banks reserved their rights in relation to any defaults that may have subsisted and did not waive any defaults that may have subsisted. If a default had subsisted the lending banks would, on service of a notice, have had the right, among other things, to require the loans under the SFA and MFA to be repaid immediately. In these specific circumstances the Board considered it appropriate to classify all of the Group's loans as current liabilities. During the restructuring process, the lending banks waived their rights in relation to any potential defaults.

In September 2011 the Group refinanced its debt and full details are included in Post Balance Sheet Events (Note 19).

15. DEFERRED AND CONTINGENT CONSIDERATION

Contingent Consideration has been reclassified within the balance sheet. In the Annual Report and Financial Statements 2010, the Contingent Consideration (prior to the deed of variation) was disclosed within Provisions and Trade and Other Payables.

	Deferred consideration		Contingent consideration	
	6 months ended 30 June 2011 Unaudited £ Million	Year ended 31 December 2010 Audited £ Million	6 months ended 30 June 2011 Unaudited £ Million	Year ended 31 December 2010 Audited £ Million
Balance at 1 January	-	-	3.6	-
Contingent consideration on acquisition	-	-	-	7.7
Movement during the year:				
Orion and MJV - fair value	-	-	-	(4.2)
LML - movements in foreign exchange	-	-	-	0.1
Reclassification from Trade and Other Payables	-	-	0.8	-
Orion and MJV - Deed of variation	5.0	-	(0.5)	-
Redwood - Deed of variation	1.4	-	(1.8)	-
Paid during the period	(0.7)	-	(0.2)	-
Balance at period end	5.7	-	1.9	3.6
Of which:				
Current	2.7	-	1.9	2.8
Non-current	3.0	-	-	0.8

Note: Deferred consideration was reported under Provisions as Contingent consideration in December 2010.
£0.8m of Homecare Contingent consideration was reported under Trade and Other payables in December 2010.
There were no transactions to disclose in the six months to June 2010

On 4 January 2011 the contingent consideration arrangement in respect of the acquisition of Orion and MJV was amended by a Deed of Variation converting the contingent consideration to deferred consideration. The amended value of the deferred consideration amounts to £5.0m and a charge of £4.5m has been made to the Statement of Comprehensive Income in 2011.

On 25 March 2011 the contingent consideration arrangement in respect of the acquisition of Redwood was amended by a Deed of Variation converting the contingent consideration to deferred consideration. The amended value of the deferred consideration amounted to £1.3m and a gain of £0.3m has been recognised within the Statement of Comprehensive Income in 2011.

16. RISK MANAGEMENT

Finance Risk

The consolidated condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010. There have been no changes in the risk management process since year end or in any risk management policies.

Market risk

There have been no significant changes in the Group's business affecting the foreign exchange risk, interest rate risk and credit risk in the period to 30 June 2011. Arising from its operations in Australia, the Group has a significant net asset position in Australian dollars which will continue to be monitored by the Board on a regular basis.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. During the six months ended 30 June 2011, the Group borrowed £6.9m and repaid £0.2m. As noted in Note 19, in September 2011 the Group completed its Refinancing scheme as discussed in its 2010 Annual Report. Key terms of the new borrowings and pro forma balance sheet showing the impact of the Refinancing on existing borrowings are included in Note 19.

Fair value estimation

The carrying value of the assets and liabilities of the Group approximate their fair values. The only financial instruments that are measured at fair value through profit or loss are interest rate swaps. Other than the Homecare division as set out in Note 11, there are no other financial assets or liabilities held for trading purposes or any investments classified as available-for-sale.

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 contingent consideration is based on unobservable inputs and thus falls into Level 3 of the Fair Value Hierarchy.

17. CONTINGENT ASSETS AND LIABILITIES

Full details of contingent assets and liabilities are set out in the consolidated financial statements for the year ended 31 December 2010. To the extent that the situation has changed from year end, details are as follows:

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 three companies which Her Majesty's Revenue and 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 the HMRC in respect of any locums provided from such companies, a residual risk remains. The Board is continuing to phase out the use of these companies.

18. RELATED PARTY TRANSACTIONS

MyWorkforce Limited, Nationwide Accreditation Bureau Company Limited, Montagu Nursing Agencies Ltd, Redwood Group Ltd and Netengines Holdings Ltd were related parties to the Group for the period up to 23 February 2011. One of the former directors is a close family member of John Cariss, the owner of the majority of the share capital of these companies.

On 24 January 2011, Healthcare Locums Plc assigned a lease, which expires on 23 January 2020, of an office in London to Cardale Investments LLP, a company controlled by Mr John Cariss. There was a rent free period until 23 June 2011 included within the transaction and the office furniture, fixtures and fittings, with a net book value of £20,000, that were owned by Healthcare Locums Plc were transferred without charge to Cardale Investments LLP.

As disclosed in the consolidated financial statements for the year ended 31 December 2010 on page 77, in early 2011, the Company changed the terms of the deferred earn-out purchase terms relating to the acquisition of certain assets from Redwood Health Ltd into a deferred consideration sum payable in February and May 2011. The second payment has not yet been made and the Board are in discussion with the Administrator of Redwood Health Ltd with regard to both payments.

No other significant transactions with related parties have been recorded in 2011.

19. POST BALANCE SHEET EVENTS

(i) Investigation

As previously reported to shareholders in the consolidated financial statements for the year ended 31 December 2010, an investigation was launched to establish the circumstances surrounding the commission of, the extent of and the financial implications of accounting irregularities. The investigations have now been completed but costs relating to the investigation and resolution of these irregularities have continued into the second half of the year.

Having taken legal advice, prior to the publication of the consolidated financial statements for the year ended 31 December 2010 on 19 August 2011 the Board had already taken steps to notify certain regulatory authorities of the outcome of these investigations. Since the issue of the consolidated financial statements for the year ended 31 December 2010, the Company has taken further steps to notify certain other regulatory authorities.

(ii) HM Revenue and Customs (HMRC)

Due to the cash flow constraints that the UK operations were under as at 31 December 2010, without formal approval or agreed payment arrangement, the Group fell behind with payments to HMRC by £6.4m. Overdue amounts were reduced to £2.0m at 30 June 2011. There were no overdue payments as at the date of this report. As previously reported to shareholders, HMRC agreed that the repayment plan constituted a formal deed of arrangement and have confirmed that no further penalties will be levied in respect of these overdue amounts.

(iii) Disposal

On 18 July 2011 the Group completed the sale of its Australian Homecare Division to KinCare Health Services Pty Limited for A\$34m (approximately £22.4m). Further information is provided in note 11.

The financial results of this subsidiary have been presented as a discontinued operation as at 30 June 2011.

(iv) Refinancing of the Business

On 19 August 2011, the Board of HCL announced a substantial refinancing of the Company, comprising a £60m Placing, an Open Offer of up to £4.3m, the Debt for Equity Conversion and the Debt Repayment and Restructuring (together referred to as the "Refinancing"). The Placing, the Open Offer, the Debt for Equity Conversion and the Debt Repayment and Restructuring were approved by Shareholders at the General Meeting on 12 September 2011.

Valid applications were received under the Open Offer in respect of 9,450,971 New Ordinary Shares, which was less than the maximum of 42,505,790 New Ordinary Shares available under the Open Offer. Accordingly all such applications were accepted in full. As a result of the above, trading in the Ordinary Shares on AIM was restored at 7.30am on 13 September 2011. Following completion of the Refinancing, the number of Ordinary Shares in issue was 847,799,742 on 13 September 2011.

The refinancing of the Group was designed to secure the Group's future by putting it on a solid financial footing and to provide Healthcare Locums with the requisite cash and debt resources and capital structure to give it the capability to generate significant returns and to enable trading in Ordinary Shares on AIM to be resumed.

The Placing was offered to a range of new and existing shareholders. In particular, as part of the Placing, Toscafund, an existing shareholder agreed to subscribe £33.6m for 336,375,000 New Ordinary Shares and (separately from the Debt for Equity Conversion) ACE Limited agreed to subscribe £13.2m for 131,625,000 New Ordinary Shares.

The key terms of the Refinancing are as follows:

- i. £60m Placing of 600 million New Ordinary Shares at 10p per share;
- ii. Equitisation of £2.5m of existing debt owed to Craig Tibbles into 25 million New Ordinary Shares and equitisation of £1.1m of commission owed to Toscafund and £0.5m of fees and commission owed to ACE Limited, in each case as part of the Placing. The Interim Working Capital Facility will, to the extent borrowed, also be equitised as part of the Placing;
- iii. £22.4m debt (including accrued interest) for equity swap with Ares Lux resulting in the issue of 125 million New Ordinary Shares to Ares Lux at approximately 18p per share, equating to 14.91% of the issued share capital (excluding any take up under the Open Offer) immediately following the Placing;
- iv. A £10.2m conversion of existing debt owed to Ares Lux into Zero Coupon Notes issued to Ares Lux in an initial principal amount of £10.2m, which may increase depending on certain events occurring, including in relation to the future performance of the Group;
- v. A write-off of approximately £6.5m of existing debt and accrued interest under certain tranches of the Senior Facility Agreement owed to the Banks. The final figure will be determined when exchange rates are fixed on or around Admission;
- vi. The Company and the Banks will partially close their existing hedging agreements in respect of the sterling facilities under the Senior Facilities Agreement which will incur break costs of up to a value of £2.7m which will be written off by the Banks;

- vii. A £35.0m repayment of existing debt owed to the Banks and a restatement of the terms of the remaining debt owed to the Banks; and
- viii. An Open Offer of up to 42,505,790 New Ordinary Shares, open to all Qualifying Shareholders pro rata to their shareholdings at a subscription price of 10p per New Ordinary Share. Qualifying Shareholders wishing to apply for New Ordinary Shares under the Open Offer in excess of their pro rata entitlements were able to apply for additional shares to the extent that other shareholders did not take up their entitlements. Valid applications were received under the Open Offer in respect of 9,450,971 New Ordinary Shares, some 22.23% of the maximum of 42,505,790 New Ordinary Shares available under the Open Offer. Accordingly all such applications were accepted in full. Following completion of the Refinancing, the number of Ordinary Shares in issue became 847,799,742 on 13 September 2011.

An unaudited pro-forma illustrative balance sheet showing the impact of Refinancing on the balance sheet at 30 June 2011 is disclosed purely to indicate the effect which the Refinancing and the sale of Homecare would have had, had they occurred before 30 June 2011.

	Balance Sheet Note 1	Home Care Disposal Note 2	Debt / Equityreserve Restructure Note 3	Total Adjustments	Proforma Balance Sheet
	£ Million	£ Million	£ Million	£ Million	£ Million
Non-current assets	104.3	(3.1)	-	(3.1)	101.2
Current assets	32.3	-	-	-	32.3
Assets classified as held for sale	23.9	(23.9)		(23.9)	-
Current liabilities	(35.3)	-	5.4	5.4	(29.9)
Liabilities classified as held for sale	(6.5)	6.5		6.5	-
Non-current liabilities	(10.7)	-	1.5	1.5	(9.2)
Net Debt					
Cash	2.7	1.9	19.1	21.0	23.7
Long term borrowings	(131.2)	21.3	72.4	93.7	(37.5)
Unamortised arrangement fees	7.3	-	(7.3)	(7.3)	-
Zero Coupon Note	-	-	(10.2)	(10.2)	(10.2)
Net Debt	(121.2)	23.2	74.0	97.2	(24.0)
Total Net Assets	(13.2)	2.7	80.9	83.6	70.4
Share capital and share premium reserve	56.6	-	73.4	73.4	130.0
Reserves	(69.8)	2.7	7.5	10.2	(59.6)
Total Equity	(13.2)	2.7	80.9	83.6	70.4

Homecare transaction translated at 30 June 2011 closing rate of A\$1.4996 : £1.

Note 1: The net assets have been extracted from the unaudited condensed consolidated interim financial information incorporating the Notes set out above.

Note 2: The adjustments for the disposal of the Homecare division removes the division's balance sheet assets and liabilities transferred as part of the transaction on 18 July 2011 and the net cash proceeds from the disposal.

Note 3: The adjustment for Debt/Equity Restructure relates to the write off of previously capitalised arrangement fees relating to the Group's previous facilities, the placing and open offer of New Ordinary Shares, repayment of part of the pre-existing facilities, the conversion of the Group's existing Ares facility into New Ordinary Shares and a Zero Coupon Note and the equitisation of deferred consideration payable in 2011 and 2012.

(v) Substantial Shareholdings

Further to the completion of the Refinancing on 19 August 2011, the Toscafund Concert Party * manages and/or owns 357,906,352 Ordinary Shares which represents 42.22% of the issued share capital of the Company and the ACE Limited has an interest in 256,625,000 Ordinary Shares which represents 30.27% of the issued share capital of the Company.

* The Toscafund Concert Party comprises Toscafund, and funds managed or advised by Toscafund and by virtue of his interest in Toscafund, Mr Martin Hughes and thereby Old Oak Holdings Limited, Cheviot Asset Management Limited, Tosca Penta Holdings Limited, Penta Capital LLP and any funds managed by Cheviot Asset Management Limited and Penta Capital LLP.

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