

HEALTHCARE LOCUMS PLC NEWS ANNOUNCEMENT

Healthcare Locums - Interim Results

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Healthcare Locums PLC
10 September 2008

Healthcare Locums plc
('Healthcare Locums', 'HCL' or the 'Group')

Interim results for the six months ended 30 June 2008

Financial Highlights

- * Revenue up 34% to £79.7m (2007: £59.4m)
- * Adjusted operating profit(1) up 53% to £7.8m (2007: £5.1m)
- * Operating profit up 161% to £7.3m (2007: £2.8m)
- * Profit before tax up 263% to £5.8m (2007: £1.6m)
- * Basic earnings per share up 300% to 4.0 pence (2007: 1.0 pence)
- * Adjusted basic earnings per share(2) up 63% to 4.4 pence (2007: 2.7 pence)
- * Strong organic like-for-like gross profit growth rate of 30% (2007: 12.8%)
- * Run rate turnover (3) now in excess of £176m and run rate gross margin (4) now over £48m
- * Net debt reduced to £31.6m (Y/E 2007: £35.3m)
- * Maiden interim dividend declared of 0.8p (2007: nil)

Operational Highlights

- * Market leadership position achieved and sustained in all UK operating markets
- * Significant development and contract wins in international permanent placement division - offices in London, Dubai and Florida
- * International partner countries include Nepal, South Korea and Sri Lanka
- * Significant contracts signed in Middle East, including Bumrungrad, EMAAR, HAAD/ SEHA and contracts with clients covering over 100 facilities across the USA
- * Accelerating organic growth rates in all divisions across the Group
- * Highly incentivised and successful sales teams operating throughout the UK from three call centres

Kate Bleasdale, Chief Executive Officer, said:

'We are very pleased with these interim results, which demonstrate HCL's continued strong organic growth in each of its operating divisions. In just under five years of trading, HCL has become the leading specialist health and social care recruitment company in the UK, growing gross margin revenues to a current run rate of £48m on an annualised basis. HCL has also developed its international placement business from a 'start-up' business, with revenues of under £50k in 2006, to a significant global specialist staffing provider with revenues on a current run rate of approximately £4m. Our net debt has fallen to £31.6m, compared to £35.3m at the 2007 year end. Our aim is to achieve 20% market share in the next three years. We continue to focus above all on delivering maximum value to our shareholders, and delivering on our promises.'

(1) Adjusted operating profit refers to operating profit before reorganisation costs, amortisation of intangibles and share scheme charges as shown in the Results Summary in the Chairman's Statement.

(2) Adjusted basic earnings per share refers to earnings per share before reorganisation costs, amortisation of intangibles and share scheme charges as shown in the Results Summary in the Chairman's Statement.

(3) Run rate turnover refers to July 2008 turnover extrapolated to an annual basis.

(4) Run rate gross margin refers to July 2008 gross margin extrapolated to an annual basis.

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Regulatory News Announcement: Healthcare Locums – Interim Results

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Chairman's Statement

BUSINESS OVERVIEW

I am pleased to announce another robust performance with interim results for 2008. Revenue saw a 34% increase in the first half of 2008 to £79.7m (2007: £59.4m). Adjusted operating profit increased by 53% to £7.8m (2007: £5.1m), and adjusted basic earnings per share increased by 63% to 4.4p (2007: 2.7p). Operating profit increased by 161% to £7.3m (2007: £2.8m) and basic earnings per share increased 300% to 4.0p (2007: 1.0p). We believe we have delivered on all of our undertakings to our shareholders, and intend to continue to do so.

The first half of 2008 has seen a significant increase in organic growth rate, rising to 30% (2007: 12.8%). Our run rate turnover is now in excess of £176m, an increase of 10% over the last four months, and our run rate gross margin is now over £48m - an increase of 33% over the same period.

The UK locum health and social care market continues to grow, with increasing demands for a flexible workforce. More of our clients recognise that using a flexible workforce means a reduction in their cost base, and balancing the mix of permanent to flexible workers is the most cost effective way to run a high quality and lower cost health and social care service. This need for a flexible workforce is driven in part by the requirements of health and social care clients providing services for the rapidly growing ageing population. In addition, the demand for flexible workers is being driven by the lack of appropriately qualified staff in the UK; we are now sourcing approximately 70% of our locum workers from abroad.

Our international permanent placement division has now started to deliver solid results month on month. It is as a result of our relationships with international partners that we have been so successful in developing this division, which has increased from a less than £50,000 contribution to a run rate of approximately £4m in less than two years. This is a significant achievement and a very exciting development for HCL.

The future prospects for this part of our business are being secured with significant contract wins in the Middle East and North America. We have been working with governments all over the world to ensure that the scarce supply of highly qualified health and social care staff is being used efficiently and effectively.

The Board's focus is now on organic growth, reducing our cost base, reducing our debt, and adopting a progressive dividend policy for our shareholders.

We are pleased to announce our maiden interim dividend of 0.8p.

RESULTS SUMMARY

	6 months ended 30 June 2008	6 months Ended 30 June 2007	12 months Ended 31 Dec 2007
	Unaudited	Unaudited	Unaudited
Business Performance	£m	£m	£m
Revenue	79.7	59.4	134.9
Adjusted operating profit	7.8	5.1	14.8
Reorganisation charges	-	1.9	3.7
Amortisation of intangibles	0.4	0.3	0.7
Share scheme charges	0.1	0.1	0.1
Operating profit	7.3	2.8	10.3
Net finance cost	1.5	1.2	2.9
Adjusted profit before tax	6.3	3.9	11.8
Profit Before tax	5.8	1.6	7.3
Basic earnings per share - pence	4.0p	1.0p	5.4p
Adjusted basic earnings per share- pence	4.4p	2.7p	8.6p

* Adjusted operating profit, adjusted profit before tax and adjusted basic earnings per share are shown before reorganisation charges, amortisation of

intangibles and share scheme charges.

OUTLOOK

Following the completion of our acquisition strategy in April 2007, management's focus has been on delivering strong organic growth. As these results demonstrate, we have achieved this aim, and will continue to build on what we have achieved so far.

The group continues to build on its market leading position in each of its market segments. Our aim is to achieve 20% market share in the next three years, and we look forward with confidence to a very successful 2008, and a stronger performance in 2009 onwards.

Alan Walker
Chairman
10 September 2008

Chief Executive's Statement

OVERVIEW

HCL is now in its fifth year of trading. In the last five years we have grown HCL from a start up business operating with 12 staff, to a company that now employs more than 350 highly motivated and successful sales and support staff. Maintaining a low cost base, HCL has delivered consistently above average operating margins, compared with our competitors. Our management priorities are focused on maintaining a low cost base, improving gross and net margins, and developing further our international placement division. We have built a team that is unrivalled in our industry, and their commitment to the HCL strategy shows through in the results we have achieved.

FINANCIAL PERFORMANCE

The group has yet again delivered an impressive financial performance. Gross margin percentages improved in our locums business by approximately 2%. Gross margin locum revenue increased by over 46% and gross margin permanent placements increased by 21%. Strong growth continues in each of our divisions.

The Group maintains a strategic balance between the temporary locum business and permanent placements, as shown in the table below:

Placements	6 months ended 30 June 2008			6 months ended 30 June 2007		
	Revenue	Gross Margin	Unaudited Gross Margin %	Revenue	Gross Margin	Unaudited Gross Margin %
	£'m	£'m	%	£'m	£'m	%
Locum	77.7	17.7	22.8	57.9	12.1	20.9
Permanent	2.0	1.7	85.0	1.5	1.4	93.3
Total	79.7	19.4	24.3	59.4	13.5	22.7

The table below shows the split of business in HCL's three divisions by revenue and gross margin contribution for the first half of this year compared with the first half of 2007:

	6 months ended 30 June 2008			6 months ended 30 June 2007		
	Revenue	Gross Margin	Unaudited Gross Margin %	Revenue	Gross Margin	Unaudited Gross Margin %
	£'m	£'m	%	£'m	£'m	%
Doctors	29.9	5.5	18.4	20.1	3.8	18.9
QSWs	22.7	5.1	22.5	21.6	4.8	22.2
AHPs	27.1	8.8	32.5	17.7	4.9	27.7
Total	79.7	19.4	24.3	59.4	13.5	22.7

The gross margin percentages in both the Allied Health Professionals (AHP) and Qualified Social Workers (QSW) divisions have improved when compared with the same period in 2007. The marginal drop in the Doctors division's gross margin percentage seen in the first half of 2008 is a result of the JCJ acquisition in April 2007. However, the Doctors division, which is now no longer constrained by the national framework contract, is showing significant improvement in the second half of 2008, and it is now achieving an average of 25% gross margin as well as an increase in weekly sales.

ACQUISITIONS

The HCL acquisition strategy was completed in April 2007, as we achieved our aim of being market leader in each division, and our aim of having a more even split of business between the three divisions. Significant re-structuring costs were incurred during 2007 as a result of our integration and cost cutting program. In the first half of this year, we have not incurred any exceptional costs; however, we are in the process of outsourcing some of our back office support services, and we expect this to deliver annual savings to the group of approximately £500,000 per annum.

OPERATIONAL REVIEW

HCL now has a well established team operating out of three call centres in Skipton (Doctors), Loughton (AHP) and London Bridge (QSW), as well as our three international placement offices in London, Dubai and Florida.

We continue to focus above all on recruiting good quality staff from all over the world to work in the UK locum market, and also to recruit staff for our international partners. To this end, we are pleased to have developed relationships with the South Korean, Sri Lankan, and Nepalese governments enabling HCL to grow its database of qualified workers who are able to fill the increasing requirements for staff in many parts of the world. According to the World Health Organisation, there are currently more than 300,000 vacancies for healthcare staff in North America alone, and there are an estimated 4 million vacancies world wide. This emerging and growing international market presents a significant opportunity for HCL and one that we continue to invest in and develop month on month.

The UK remains our primary marketplace for our locum businesses and we continue to serve both the public and private sector. The Company continues to enjoy preferred supplier status to the NHS and other public health and social care bodies. In addition, we supply our locum staff to the private health and social care sectors, retail and pharmaceutical clients, and increasingly to the MOD and many other clients.

We continue to invest in our technology and are moving the Group towards a fully integrated front and back office system. Following 13 acquisitions we inherited many different ways of working, and systems to work with. Our back office systems are now all fully integrated and our front office systems will be fully integrated during the second half of 2008. The investment made in the systems and processes over the last two years will enable HCL to significantly increase its volumes of business with minimal further investment in 2009 and beyond.

OUTLOOK

HCL has established a very strong base from which to deliver exceptional organic growth during the rest of 2008 and into 2009. We are confident of delivering significant value to our shareholders, and look forward to the rest of 2008 and beyond.

Kate Bleasdale
Chief Executive
10th September 2008

Consolidated Income Statement

	Note	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Revenue	2	79,679	59,443	134,877
Cost of sales	2	60,305	45,972	103,661
Gross profit	2	19,374	13,471	31,216
Administrative expenses before reorganisation costs	2, 3	(12,058)	(8,764)	(17,289)
Reorganisation costs	4	-	(1,870)	(3,668)
Total administrative expenses		(12,058)	(10,634)	(20,957)
Operating profit		7,316	2,837	10,259
Financing income		32	-	47
Financing costs		(1,514)	(1,272)	(2,989)
Profit before taxation		5,834	1,565	7,317
Income tax expense		(1,724)	(599)	(2,112)
Profit for the period		4,110	966	5,205
Basic earnings per share (pence)	5	4.0p	1.0p	5.4p
Diluted earnings per share (pence)	5	4.0p	1.0p	5.3p

The above results relate to continuing operations.

Statement of Changes in Equity

	Note	Called up share capital Unaudited £'000	Share premium Unaudited £'000	Cash flow hedge reserve Unaudited £'000	Retained earnings Unaudited £'000	Total Unaudited £'000
Balance at 1 January 2007		9,395	27,649	56	267	37,367
Profit for the six months ended 30 June 2007		-	-	-	966	966
Fair value gain on cash flow hedge		-	-	284	-	284
Total recognised income and expense for period		-	-	284	966	1,250
Issue of share capital		229	1,171	-	-	1,400
Credit in respect of share scheme charges	3	-	-	-	64	64
Balance at 30 June 2007		9,624	28,820	340	1,297	40,081
Profit for the six months ended 31 December 2007		-	-	-	4,239	4,239
Fair value loss on cash flow hedge		-	-	(465)	-	(465)
Total recognised income and expense for period		-	-	(465)	4,239	3,774
Issue of share capital		423	2,946	-	-	3,369
Costs of issue of share capital		-	(124)	-	-	(124)
Credit in respect of share scheme charges	3	-	-	-	81	81
Balance at 31 December 2007		10,047	31,642	(125)	5,617	47,181
Profit for the six months ended 30 June 2008		-	-	-	4,110	4,110
Fair value gain on cash flow hedge		-	-	238	-	238
Total recognised income and expense for period		-	-	238	4,110	4,348
Issue of share capital		334	2,666	-	-	3,000
Costs of issue of share capital		-	(94)	-	-	(94)
Credit in respect of share scheme charges	3	-	-	-	135	135
Balance at 30 June 2008		10,381	34,214	113	9,862	54,570

Consolidated Balance Sheet

	As at 30 June 2008 Unaudited £'000	As at 30 June 2007 Unaudited £'000	As at 31 December 2007 Audited £'000
Non-current assets			
Property, plant and equipment	1,337	1,600	1,591
Goodwill	60,242	57,829	60,233
Other intangible assets	9,404	6,662	8,395
	70,983	66,091	70,219
Current assets			
Trade and other receivables	32,613	30,725	31,181
Derivative financial assets	113	340	-
Cash and cash equivalents	1,327	1,452	1,122
	34,053	32,517	32,303
Current liabilities			
Trade and other payables	(11,457)	(8,605)	(9,904)
Short term borrowings	(15,268)	(13,691)	(16,989)
Current portion of long-term borrowings	(3,250)	(4,823)	(3,717)
Current tax payable	(2,790)	(1,575)	(1,328)
Short term provisions	(590)	(8,269)	(4,867)
Derivative financial liabilities	-	-	(125)
	(33,355)	(36,963)	(36,930)
Net current assets/(liabilities)	698	(4,446)	(4,627)
Non-current liabilities			
Long term borrowings	(14,455)	(17,666)	(15,721)
Deferred tax liability	(2,026)	(1,075)	(1,785)
Long term provisions	(630)	(2,823)	(905)
	(17,111)	(21,564)	(18,411)
Net assets	54,570	40,081	47,181
Capital and reserves			
Called up share capital	10,381	9,624	10,047
Share premium	34,214	28,820	31,642
Cash flow hedge	113	340	(125)
Retained earnings	9,862	1,297	5,617
Total Equity	54,570	40,081	47,181

Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Cash flows from operating activities				
Profit for the period		4,110	966	5,205
Adjustments for:				
Depreciation of property, plant and equipment		333	313	645
Amortisation of intangible assets		657	317	1,024
Finance income		(32)	-	(47)
Finance expense		1,514	1,272	2,989
Share based payments charges	3	135	64	145
Income tax expense		1,724	599	2,112
Cash flows from operating activities before changes in working capital and provisions		8,441	3,531	12,073
Changes in receivables		(1,312)	(5,691)	(5,826)
Changes in payables		170	2,941	(33)
Cash generated from operations		7,299	781	6,214
Income tax paid		(139)	(197)	(502)
Net cash from operating activities		7,160	584	5,712
Cash flows from investing activities				
Disposal of business and assets		-	-	29
Acquisition of subsidiary net of cash acquired	7	(9)	(9,195)	(9,740)
Contingent consideration paid		(3,165)	(2,612)	(6,046)
Acquisition of property, plant and equipment		(49)	(682)	(615)
Acquisition of intangible assets		(1,700)	-	(3,566)
Net cash used in investing activities		(4,923)	(12,489)	(19,938)
Cash flows from financing activities				
Proceeds from issue of share capital		2,906	1,400	4,645
New loans acquired		335	7,211	20,304
Interest and similar expenses paid		(1,482)	(1,327)	(2,942)
Repayment of borrowings		(2,070)	(261)	(16,291)
Net cash used in financing activities		(311)	7,023	5,716
Net movement in cash and cash equivalents		1,926	(4,882)	(8,510)
Opening cash and cash equivalents		(15,867)	(7,357)	(7,357)
Closing cash and cash equivalents		(13,941)	(12,239)	(15,867)

Notes to the Interim Financial Statements

1 Accounting policies

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

Basis of preparation

This unaudited consolidated interim financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively 'adopted IFRSs'). The principal accounting policies used in preparing the interim results are unchanged from those disclosed in the Group's financial statements for the year ended 31 December 2007.

The unaudited financial information presented in this document has been prepared on the basis of the expected accounting policies which the Group will comply with in the accounts to 31 December 2008 and on the basis of all adopted International Financial Reporting Standards, including International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board ('IASB') and its committees, as adopted by the EU. These are subject to ongoing amendment by the IASB and subsequent endorsement by the European Commission and are therefore subject to possible change. As a result, information contained within this release will require updating for any subsequent amendment to adopted IFRS required for first time adoption or those new standards that the Group may elect to adopt early.

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, except for derivative financial instruments which are stated at their fair value.

The financial statements for the twelve months ended 31 December 2007 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors on such accounts was unqualified, and did not include references to any matters to which the auditors drew attention without qualifying their report, and did not contain any statement under Sections 237(2) or 237 (3) of the Companies Act 1985.

Basis of consolidation

Subsidiaries are fully consolidated from the date on which the power to control is transferred to the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments

issued by the Group in exchange for control of the acquiree, plus any costs attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3

'Business Combinations' are recognised at fair value at the acquisition date.

Revenue recognition

Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. These consist of:

* Revenue from temporary placements which represents amounts billed for the services of temporary staff including the salary cost of these staff. This is recognised when the service has been provided;

* Revenue from permanent placements is recognised at the date where an offer has been accepted by the candidate, except where the offer is contingent on future events which are outside of the Group's control. In these cases revenue is only

recognised once any material contingencies have been resolved. A provision is made against accrued income for possible cancellations of placements by the candidate prior to the commencement of employment based on past experience of this occurring.

All revenue relates to the rendering of services.

Share based payment

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

Under this standard the credit entry for this charge is taken to the Retained Earnings and reported in the Statement of Changes In Equity.

Taxation

The charge for current taxation is provided at rates of corporation tax that have been enacted or substantially enacted by the balance sheet date. Current tax is based on taxable profits for the year and any adjustments to tax payable in respect of previous years.

Deferred tax is provided, using the balance sheet liability method, on all temporary differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, based on tax rates and tax laws

that have been enacted or substantively enacted at the balance sheet date.

Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The exceptions, where deferred tax assets are

not recognised nor deferred tax liabilities are not provided, are:

* At initial recognition of goodwill;

* The initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

* Taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Goodwill

Goodwill represents the excess of the cost of an acquisition of a business over

the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is tested annually for any impairment and carried at cost less accumulated impairment losses. Any impairment charge would be included within administrative expenses in the Income Statement. Goodwill impairment charges cannot be reversed. As the Group has taken advantage of the exemption from restating all pre transition period acquisitions under IFRS 3 'Business Combinations', goodwill includes intangibles arising on those acquisitions that are not separately identifiable.

Other intangible assets

Intangible assets other than goodwill acquired by the Group as part of a business combination are stated at fair value and are amortised on a straight-line basis over their useful lives in accordance with IAS 38 'Intangible Assets'. The amortisation is shown as part of Administrative Expenses within the Consolidated Income Statement.

The estimated useful lives are as follows:

Customer relationships	-	10 years
Computer software	-	5 years
Knowledge database	-	2 years

Costs that are directly associated with the production of the candidate databases are recognised as intangible assets. Direct costs include those of employees as well as external costs incurred identifying and recruiting the candidates. The costs of assembling a candidate database recognised as an asset are amortised as the related candidates accept employment offers. The amortisation is shown as part of Cost of Sales expenses within the Consolidated Income Statement.

The other intangible assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When the carrying value of an asset exceeds its recoverable amount the asset is written down accordingly. Any impairment charge would be included within administrative expenses with the Consolidated Income Statement.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. All items are carried at depreciated cost.

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

Improvements to leasehold buildings	-	term of lease
Motor vehicles	-	4 years
Office and computer equipment	-	3 to 8 years

Financial instruments

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

Hedge accounting: The Group holds a number of interest rate instruments, protecting a portion of the Group's borrowings against movements in interest rates. These derivatives have been valued at fair value at each balance sheet date and any movements

in this fair value have been recognised in equity. Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- * At the inception of the hedge there is a formal designation and documentation of the hedging relationship and the group's risk management objective and strategy for undertaking the hedge.
- * For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.
- * The cumulative change in the value of the hedging instrument is expected to be between 80-125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged (i.e. it is expected to be highly effective).
- * The effectiveness of the hedge can be reliably measured.
- * The hedge remains highly effective on each date it is tested. The Group has chosen to test the effectiveness of its hedges on a twice yearly basis. The Group does not hold or issue derivative instruments for speculative purposes.

Cash flow hedge: The effective part of the derivatives used to manage cash flow interest rate risk are measured at fair value with changes in fair value recognised directly in equity. The gain or loss relating to any ineffective portion is recognised directly in the income statement within finance expense of finance income line.

Financial assets:

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value and subsequently at amortised cost. Impairment provisions are recognised where there is evidence that the Group will be unable to collect all of the amounts due under the terms receivable. Trade receivables are reported net of impairment provisions, which due to the nature of the customer base are insignificant. The Groups loans and receivables comprise trade and other receivables and cash in the balance sheet.

Other financial liabilities:

Trade payables and other short-term monetary liabilities: These are initially recognised at fair value and subsequently at amortised cost.
Bank borrowings: These liabilities are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. The costs of raising the financing are offset against the loan amount and are amortised over the term of the loan and are included within finance costs on the face of the Income Statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and short term borrowings which include bank overdrafts. Short term borrowings are shown within current liabilities on the balance sheet, and are included within cash and cash equivalents for the purposes of the Statement of Cash Flows.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

2 Segmental Analysis

The group provides recruitment services for three types of health and social care staff, being Doctors, Qualified Social Workers (QSW) and Allied Health Professionals (AHP). It views these as its principal business segments. Sales arise exclusively in the UK and are predominantly to public sector clients. The Board receives regular information on the revenue and costs of sales of each of its principal business segments, it does not receive segment information on the costs below gross profit or on assets or liabilities. There is no reasonable basis by which overhead expenses, assets and liabilities can be allocated to the three segments and therefore no additional segmental information has been disclosed.

	Doctors			Qualified Social Workers		
	6 months ended 30 June 2008	6 months ended 30 June 2007	Year ended 31 December 2007	6 months ended 30 June 2008	6 months ended 30 June 2007	Year ended 31 December 2007
Revenue	£'000	£'000	£'000	£'000	£'000	£'000
External sales	29,893	20,130	52,560	22,728	21,598	44,176
Result						
Segment gross profit	5,449	3,799	9,482	5,081	4,813	10,299
Unallocated administrative expenses						
Operating profit						
Financing income						
Financing costs						
Profit before taxation						
	Allied Health Professionals			Group		
	6 months ended 30 June 2008	6 months ended 30 June 2007	Year ended 31 December 2007	6 months ended 30 June 2008	6 months ended 30 June 2007	Year ended 31 December 2007
Revenue	£'000	£'000	£'000	£'000	£'000	£'000
External sales	27,058	17,715	38,141	79,679	59,443	134,877
Result						
Segment gross profit	8,844	4,859	11,435	19,374	13,471	31,216
Unallocated administrative expenses				(12,058)	(10,634)	(20,957)
Operating profit				7,316	2,837	10,259
Financing income				32	-	47
Financing costs				(1,514)	(1,272)	(2,989)

Profit before taxation			5,834	1,565	7,317
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3 Administrative expenses before reorganisation costs

	6 months ended 30 June 2008	6 months ended 30 June 2007	12 months ended 31 December 2007
	Unaudited £'000	Unaudited £'000	Audited £'000
Administrative expenses before reorganisation costs include:			
Amortisation of intangible assets charged to administrative expenses	393	317	671
Share scheme charges	135	64	145

4 Reorganisation costs

	6 months ended 30 June 2008	6 months ended 30 June 2007	12 months ended 31 December 2007
	Unaudited £'000	Unaudited £'000	Audited £'000
Reorganisation costs	-	1,870	3,668

The reorganisation cost in 2007 comprises charges for integration, reorganisation and restructuring costs following the acquisitions of Blue Group, Tempaid, Fairstaff, Medirec and Elite in December 2006 and JCY Locums Ltd in April 2007. These costs include expenses relating to the restructuring of these businesses to fully integrate each of them within the HCL Group, and these businesses are now fully integrated within the Group operations.

5 Earnings per share

	6 months ended 30 June 2008	6 months ended 30 June 2007	12 months ended 31 December 2007
	Unaudited Number	Unaudited Number	Audited Number
Number of ordinary 10p shares			
Weighted average number of shares	102,616,167	95,372,339	96,909,541
Dilution effect of share options	280,746	758,487	482,637
Weighted average number of shares used for diluted EPS	102,896,913	96,130,826	97,392,178
	£'000	£'000	£'000
Profit for the period	4,110	966	5,205
Add back: reorganisation costs	-	1,870	3,668
Add back: amortisation of intangibles	393	317	671
Add back: share scheme charges	135	64	145
Less: tax effect of reorganisation costs, amortisation and share scheme charges	(158)	(675)	(1,345)
Adjusted earnings for the period	4,480	2,542	8,344
	Pence	Pence	Pence
Basic earnings per ordinary share of 10p	4.0p	1.0p	5.4p
Diluted earnings per ordinary share of 10p	4.0p	1.0p	5.3p
Adjusted basic earnings per ordinary share of 10p	4.4p	2.7p	8.6p
Adjusted diluted earnings per ordinary share of 10p	4.4p	2.6p	8.6p

6 Acquisition of JCY April 2007

Regulatory News Announcement: Healthcare Locums – Interim Results

Healthcare Locums Plc purchased 100% of the voting equity instruments of JCJ Group Ltd (JCJ Locums) on 20 April 2007 for a total consideration of £5,500,000, plus capitalised costs of acquisition amounting to £939,000. The principal activity of JCJ Locums is the provision of recruitment services, on a temporary and permanent basis.

In calculating the goodwill arising on the acquisition the fair values of the net assets acquired have been assessed.

	Book value	Fair value adjustments	Fair value
	Audited	Audited	Audited
	£'000	£'000	£'000
Net assets acquired			
Property, plant and equipment	106	(92)	14
Trade & other receivables	4,154	-	4,154
Trade & other payables	(1,153)	-	(1,153)
Short term borrowings	(2,990)	-	(2,990)
Current tax receivable	954	-	954
Short term provisions	(286)	-	(286)
Onerous contracts provision	(3,260)	-	(3,260)
Deferred tax liability	17	-	17
Net assets acquired	(2,458)	(92)	(2,550)
Consideration			
Purchase consideration - cash			5,500
Costs of acquisition			939
Total cost of acquisition			6,439
Goodwill			
Goodwill arising on acquisition			8,989

The goodwill arising on the acquisition of JCJ Locums is attributable to the anticipated profitability of the Group's services and the anticipated future operating synergies from the combination.

7 Cash flows in respect of purchase of acquisitions

	6 months ended 30 June 2008	6 months ended 30 June 2007	12 months ended 31 December 2007
	Unaudited £'000	Unaudited £'000	Audited £'000
Total anticipated consideration	9	5,500	5,500
Costs of acquisitions	-	1,148	1,140
	9	6,648	6,640
Less net current asset adjustment, not yet recovered	-	(440)	110
	9	6,208	6,750
Add net borrowings acquired	-	2,987	2,990
	9	9,195	9,740

8 Financial Instruments

The Group's principal financial instruments comprise bank term loans, bank overdraft facilities, invoice discounting facilities and cash.

The Group's bank loans, £16.6m as at 30 June 2008, are based upon LIBOR plus margin. The invoice discounting facilities, £15.3m as at 30 June 2008, are based upon floating rates which are base rate plus margin.

The Group considers its capital to comprise its ordinary share capital, share premium, cash flow hedge reserve and accumulated retained earnings. In managing its capital the Group's primary objective is to ensure its continued ability to provide a

growing return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group's gearing ratio at the balance sheet date is shown below:

30 June 2008	30 June 2007	31 December 2007
Unaudited £'000	Unaudited £'000	Audited £'000

Regulatory News Announcement: Healthcare Locums – Interim Results

Cash in hand	(1,327)	(1,452)	(1,122)
Invoice discounting facility	15,268	13,691	16,989
Bank loans	16,643	20,000	18,100
Obligations under finance leases and hire purchase contracts	1,062	2,488	1,338
Net borrowings	31,646	34,727	35,305
Share capital	10,381	9,624	10,047
Share premium	34,214	28,820	31,642
Cash flow hedge reserve	113	340	(125)
Profit and loss account	9,862	1,297	5,617
Total capital	54,570	40,081	47,181
Gearing ratio	58%	87%	75%

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