

Financial Statements D.R.C. Locums Limited

For the year ended 31 March 2020



Registered Number 04154956

D.R.C. Locums Limited
Financial statements for the year ended 31 March 2020

Company Information

Registered Number	04154956
Registered office:	Partis House Davy Avenue Milton Keynes Buckinghamshire MK5 8HJ
Auditor:	Grant Thornton UK LLP Victoria House 199 Avebury Boulevard Milton Keynes MK9 1AU
Secretary:	Graham Dolan
Directors:	Deepak Jalan Jason Stewart Luke Alexander Williams

Strategic Report

The directors present their strategic report and directors' report and financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of the Company in the year under review was that of a recruitment agency for the supply of medical contract staff and related services.

Business review

The results for the year and financial position of the Company are as shown in these financial statements. Gross profit was £5,669k (2019: £5,438k) up 4% from the prior year, with gross profit margin decreased to 18% (2019: 19%). The Company generated a profit before tax of £113k (2019: loss before tax £37k), an increase of 406%.

Future Developments

The business will aim to organically grow the nursing and doctors contract divisions and has expanded its permanent recruitment division in the new financial year to take advantage of its position on the NHS GP international recruitment framework.

The Company will further expand its outsourced activities via its partners in India which will supplement its organic growth model in complimentary service streams. In addition, the Company intends to capitalise on its successful managed service and master vendor contracts through a regional key accounts strategy with NHS clients.

Business environment

The UK market for healthcare recruitment has been challenging since 2016 with the implementation of government sponsored charge rate caps and the intermediaries legislation (IR35). This has been further exacerbated in the early part of 2020 by the disruption caused by the Coronavirus (Covid). Here many candidates were self-isolating and not available to work whilst routine surgeries were postponed or cancelled thus reducing demand. The concentration of activity became almost exclusively in Covid wards which was mainly staffed by permanent staff or returning retirees and was also not attractive to Locums.

There has been no change in the fundamental dynamics of the marketplace whereby demand for clinical staff greatly outweighs supply which will rebalance once Covid has been defeated. This is examined further in the "risks and uncertainties" section.

Strategy and future outlook

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

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Strategic Report (Continued)

iii. Covid 19

The effect of Covid 19 has been largely negative as below:

The Company experienced fluctuations in demand due to the challenges of the NHS's pure focus on coronavirus. All NHS elective appointments have been suspended which means that routine surgeries etc have been cancelled. A&E is historically quiet as patients are reluctant to go to hospital and our NHS Trust clients had a large number of empty beds. The entire NHS focus is on COVID-19 patients.

We contacted the various government agencies to engage with the Nightingale Hospitals however these were barely being used and are being staffed with the excess capacity from existing hospitals.

In April we hit a challenging drop in both demand and candidate availability, due to coronavirus. We had over 150 nurses self-isolating or refusing to go to work and the majority of these are full time workers. We have also had our first death of a candidate at Harrogate Hospital and we had 5 more nurses in ICU fighting for their lives. Many of the candidates are very concerned and have refused to work due to family members having medical complications etc.

There are now signs in late summer that the NHS is now performing more routine surgeries which will improve our market place. However the threat of a second wave in winter could be equally challenging for the business.

Financing and Going Concern

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

Employees

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

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

Key KPIs:

DRC Locums Limited management use the following KPI's to monitor the Company monthly

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

By order of the board



Jason Stewart
 Director
 30/09/2020

Strategic Report (Continued)

Principal Risks and Uncertainties

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

i. National Frameworks

D.R.C Locums Limited is an approved supplier of temporary healthcare under the Crown Commercial Services and Collaborative Procurement Partnership National Framework Agreements (NFA). D.R.C Locums was appointed to the CCS Multi-Disciplinary Framework Agreement for the supply of Doctors, Nurses and AHP's on the 1st of September 2015 and is one of 64 agencies appointed, the duration of the CCS Framework Agreement has been until extended until 7th February 2021. D.R.C Locums Limited remains as one of the largest suppliers of medical locums and agency nurses to the NHS and is therefore a key supplier of healthcare staff to the NHS and private sectors.

A number of strategic NHS partnership groups have formed a Clinical Staffing Framework covering Doctors, Nurses and AHP's. D.R.C Locums Limited was appointed on this Framework known as NHS Collaborative Procurement Partnership (CPP) which went live on the 8th August 2016 and has been extended until 7th February 2021.

On the 1st March 2017 D.R.C Locums Limited was appointed to the All Wales Nursing Framework Agreement for the supply of agency nurses. The initial contract period was for 2 years however has now been extended until 28th February 2021.

On the 1st May 2017 D.R.C Locums Limited was appointed to the NHS National Services Scotland Framework Agreement for the supply of medical locums. The initial contract period was for 3 years however has now been extended until 30th April 2022.

On the 9th October 2018 D.R.C Locums Limited was appointed to the NHS National Services Scotland Framework Agreement for the supply of agency nurses. The initial contract period will until 8th October 2021.

D.R.C Locums was awarded a position on the newly formed International Recruitment of GPs Framework on the 10th November 2017 developed by NHS England to recruit GP's into the NHS over a 4 year duration. This Framework requires GPs to be recruited from overseas to be placed on a permanent basis across the NHS.

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

On the 6th April 2017 the government implemented the reform to the intermediaries legislation for Public Sector engagements. Liability to pay the correct employment taxes has moved from the workers own personal service company (PSCs) to the Public Sector body or recruitment agency/third party paying the PSC. It is believed that this legislation will be applied to the private sector from April 2021.

The above has had a major impact on the real or perceived income of workers in the Public Sector to the extent that many have questioned their continuance of working in the Public Sector. Those that are unable to work in the private sector have questioned the rationale of remaining a Locum Doctor or Nurse and have chosen to take a permanent role in the NHS others have chosen to return to their country of origin. Management has successfully reacted to the imposition of this legislation through close collaboration with our key NHS Trust clients and our workers. We have partnered with a number of umbrella companies to offer our workers the most efficient employment solution whilst remaining fully compliant with the new legislation.

This has led to us minimising any reduction in the workforce across D.R.C Locums limited service lines. We believe ultimately that continued expansion of health demand due to factors such as an ageing population will result in a continued increase in health spending per head of population over the medium to long term.

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking steps for the prevention and detection of fraud and other irregularities.

Approved on behalf of the Board



Jason Stewart
Director
30/09/2020

D.R.C. Locums Limited**Financial statements for the year ended 31 March 2020**

Directors' Report

Directors

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

Deepak Jalan
Jason Stewart
Luke Alexander Williams

Proposed dividend

The directors do not recommend the payment of a dividend (2019: £nil). The directors do not recommend the payment of a further dividend.

Disclosure of information to auditor

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

Matters covered in the strategic report

The business review and the principal risks and uncertainties sections are not shown in the Directors's report, because they are shown in the strategic report instead under s414c(11).

Qualifying third party indemnity provisions

A qualifying third party indemnity provision by Section 232 (2) of the Companies Act 2006 is in force for the benefit of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law in respect of those liabilities for which the directors may not be indemnified, as directors' and officers liability insurance policy was maintained throughout the financial year.

Auditor

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

By order of the board



Jason Stewart
Director
30/09/2020

Independent Auditor's Report to the members of D.R.C. Locums Limited (Continued)

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and

Independent Auditor's Report to the members of D.R.C. Locums Limited

Opinion

We have audited the financial statements of D.R.C. Holding Company Ltd (the 'company') for the year ended 31 March 2020, which comprises the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Profit and Loss Account for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Turnover	2	30,825	29,261
Cost of sales		<u>(25,156)</u>	<u>(23,823)</u>
Gross profit		5,669	5,438
Administrative expenses		<u>(5,473)</u>	<u>(5,398)</u>
Operating Profit	3	196	40
Interest payable and similar charges	6	<u>(83)</u>	<u>(77)</u>
Profit / (loss) on ordinary activities before taxation		113	(37)
Taxation on Profit / (loss) from ordinary activities	7	<u>(3)</u>	<u>1</u>
Profit/ (loss) for the financial year		<u>110</u>	<u>(36)</u>

All results are derived from continuing operations.

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

The notes on pages 15 to 23 form part of these financial statements.

Independent Auditor's Report to the members of D.R.C. Locums Limited (Continued)

fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Taras Kulyk FCCA
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Victoria House
199 Avebury Boulevard
Milton Keynes
MK9 1AU

30/09/2020

Statement of Changes in Equity

	Called up share Capital £000	Profit and Loss Account £000	Total Equity £000
Year ended 31 March 2019			
Balance at 1 April 2018	-	5,451	5,451
Total comprehensive income for the period			
Loss for the period	-	(36)	(36)
Balance at 31 March 2019	<u>-</u>	<u>5,415</u>	<u>5,415</u>
Year ended 31 March 2020			
Balance at 1 April 2019	-	5,415	5,415
Total comprehensive income for the period			
Profit for the period	-	110	110
Balance at 31 March 2020	<u>-</u>	<u>5,525</u>	<u>5,525</u>

The notes on page 15 to 23 form part of these financial statements.

Balance Sheet at 31 March 2020

	Notes	2020 £000	2020 £000	2019 Restated* £000	2019 £000
Fixed assets					
Tangible fixed assets	8		<u>117</u>		<u>116</u>
Current assets					
Debtors	9	11,621		11,244	
Cash at bank and in hand		<u>520</u>		<u>59</u>	
		12,141		11,303	
Creditors: amounts falling due within one year:	10	<u>(6,660)</u>		<u>(5,934)</u>	
Net current assets			<u>5,481</u>		<u>5,369</u>
Total assets less current liabilities			5,598		5,485
Provision for liabilities	11		<u>(73)</u>		<u>(70)</u>
Net assets			<u>5,525</u>		<u>5,415</u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		<u>5,525</u>		<u>5,415</u>
Shareholder's funds			<u>5,525</u>		<u>5,415</u>

These financial statements were approved by the board of directors on 30/09/2020 and were signed on its behalf



Jason Stewart
Director

Company registered number 04154956

The notes on pages 15 to 23 form part of these financial statements.

Notes to the financial statements

1 Accounting policies (continued)

Company has had impact from Covid-19 in the year following as all elective surgeries have been suspended by NHS trusts. However the situation has improved in July 2020 with more demand for locums and nurses. D.R.C. Locums Limited has taken measures to control cost to face the pandemic and it has been successful.

1.3 Basic financial instruments

Trade and other debtors/creditors

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

Financial Instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares. Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.4 Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Notes to the financial statements

1 Accounting policies

Basis of preparation

D.R.C Locums Limited is a private limited company by shares incorporated and domiciled in England, with a company number 04154956 registered at Partis House, Davy Avenue, Knowlhill, Milton Keynes, MK5 8 HJ. The principal activity of the Company is detailed in the strategic report. These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is £ sterling (£'000).

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

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

The largest group in which the results of the Company and its subsidiaries are consolidated is headed by HB Healthcare Limited. The consolidated financial statements of HB Healthcare Limited are prepared in accordance with FRS102 as adopted by the EU and are available to the public and may be obtained from the Partis House, Davy Avenue, Milton Keynes, MK5 8HJ.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes
- Key Management Personnel Compensation

Accounting reference date

Accounts are prepared on a full month basis. For the year ended 31 March 2020, the accounts have been prepared to 29 March 2020. The comparative period covered 2 April 2018 to 31 March 2019. The current year period covers 1 April 2019 to 29 March 2020.

1.1 Measurement Convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

D.R.C Locums Limited is reliant for its working capital on the existing invoice factoring. The directors have completed a detailed review of current trading which has included consideration of the financial position as at the date of approval of these financial statements and the projected results and financial position covering the next 12 months.

The Directors are confident that the Company will continue to generate positive cash flows from trading activities for the foreseeable future and the Company will continue in operational existence by meeting its liabilities as they fall due for payment. Further, the company has financial support from equity owners for 12 months from date of approval of this financial statements to meet its liabilities as they fall due.

Notes to the financial statements

1.11 Judgements in applying accounting policies and key sources of estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Useful lives of depreciable assets:

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

2 Analysis of turnover

Turnover is wholly attributable to the principal activity of the Company and arises in the United Kingdom.

3 Profit/(loss) on ordinary activities

	2020 £000	2019 £000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	45	44
Auditor remuneration:		
Fees payable to the Company's auditor for audit services	18	16
Other services relating to taxation	4	3
Operating leases:		
Plant and machinery	125	122
Other	34	41

4 Remuneration of directors

	2020 £000	2019 £000
Directors' emoluments	196	184
	196	184

The highest paid director received remuneration of £196k (2019: £184k)

The value of the company contribution paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2019: £nil).

Notes to the financial statements

1 Accounting policies (continued)

1.5 Tangible Fixed Assets

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

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

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

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

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

1.6 Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

1.7 Expenses

Expenses are payable by the Company to employees, its' agency workers and suppliers where wholly and exclusively incurred in performance of the trade of the business. All expenses are detailed on the company expense forms and duly authorised by a Director or Senior Manager of the Company alongwith attached original vouchers.

1.8 Turnover

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

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

1.9 Operating Leases

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

1.10 Provisions

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

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

Notes to the financial statements

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below.

	2020 £000	2019 £000
Current tax reconciliation		
Profit/(Loss) on ordinary activities before tax	113	(37)
Current tax at 19% (2019: 19%)	21	(7)
Effects of:		
Expenses not deductible for tax purposes	1	
Group relief claimed	(14)	-
Adjust opening deferred tax to average rate of 19%	-	1
Deferred tax not recognised	(5)	5
Total tax charge (see above)	3	(1)

Factors that may affect future tax charges

The main rate of UK corporation tax in the year was 19% with no change to this rate substantively enacted at the balance sheet date. Temporary differences have been measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

Deferred tax asset

The Company has recorded a deferred tax liability of £9k (2019: £6k) in relation to accelerated capital allowances.

Notes to the financial statements

5 Staff numbers and costs

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

	Number of employees	
	2020	2019
Sales	44	49
Administration	26	27
	<u>70</u>	<u>76</u>

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

	2020	2019
	£000	£000
Wages and salaries	3,533	3,570
Social security costs	318	328
Pensions	52	34
	<u>3,903</u>	<u>3,932</u>

6 Interest payable and similar charges

	2020	2019
	£000	£000
Invoice discounting interest	83	77
	<u>83</u>	<u>77</u>

7 Taxation

Total tax expense recognised in the profit and loss account.

	2020	2020	2019	2019
	£000	£000	£000	£000
Current Tax				
Current tax on income for the year	-	-	-	-
Total current tax				-
Deferred tax				
Origination and reversal of timing differences	3		(1)	
Effect of tax rate change on opening balance	-	-	-	-
Total deferred tax		<u>3</u>		<u>(1)</u>
Total tax		<u>3</u>		<u>(1)</u>

Notes to the financial statements

10 Creditors: amounts falling due within one year

	2020 £000	2019 Restated* £000
Trade creditors	1,076	742
Invoice Discounting Facility	2,851	2,579*
Amounts owed to group undertakings	1,133	1,218
Taxation and social security	670	501
Other creditors	630	616
Accruals and deferred income	300	278
	<u>6,660</u>	<u>5,934</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

* See note 9 above

11 Provisions

	Deferred Tax £000	Dilapidation £000	Total £000
At beginning of year	6	64	70
Utilised during year	-	-	-
Charge to the profit and loss for the year	3	-	3
At end of year	<u>9</u>	<u>64</u>	<u>73</u>

The deferred tax (liability) of £9k (2019: £6k) arose in respect of timing differences on capital allowances

12 Called up share capital

	2020 £	2019 £
Allotted, called up and fully paid 10,000 Ordinary shares of £0.01 each	<u>100</u>	<u>100</u>

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital

13 Reserves - Profit and loss account

Includes all current and prior period retained profits and losses.

14 Pension Commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £52,358 (2019: £34,386). Contributions totalling £10,187 (2019: £6,190) were payable to the fund at the balance sheet date and are included in other creditors and accruals.

Notes to the financial statements

8 Tangible fixed assets

	Computer Equipment £000	Furniture and fittings £000	Leasehold improvements £000	Total £000
Cost				
At beginning of year	795	226	48	1,069
Additions	45	-	-	45
At end of year	<u>840</u>	<u>226</u>	<u>48</u>	<u>1,114</u>
Depreciation				
At beginning of year	680	226	47	953
Charge for year	44	-	-	44
At end of year	<u>724</u>	<u>226</u>	<u>47</u>	<u>997</u>
Net book value				
At 31 March 2020	<u>116</u>	<u>-</u>	<u>1</u>	<u>117</u>
At 31 March 2019	<u>115</u>	<u>-</u>	<u>1</u>	<u>116</u>

9 Debtors

	2020 £000	2019 Restated* £000
Trade debtors	2,993	2,988*
Other debtors	100	33
Prepayments and accrued income	852	962
Amounts due from group undertaking	7,676	7,232
Corporation tax asset	-	29
	<u>11,621</u>	<u>11,244</u>

Bank loans and advances on the invoice discounting account are secured by fixed and floating charges over the assets of the Company.

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

* The trade debtors of 2019 was disclosed as £409k in the prior year financial statements as a result of netting off gross trade debtors of £2,988k and the related invoice factoring liability of £2,579k.

Notes to the financial statements

15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020 Land and buildings £000	2020 Other £000	2019 Land and buildings £000	2019 Other £000
Less than one year	133	35	125	41
Between one and five years	329	10	461	43
More than five years	-	-	-	-

16 Related Party Transactions

During the year D.R.C Locums Limited, incurred £294,000 (2019: £294,000) of board fees from Hamilton Bradshaw Limited, raised with 30 days credit term. At the year-end £660,000 (2019: £270,000) was due to Hamilton Bradshaw Limited. Directors of D.R.C Locums Limited are holding directorships at Hamilton Bradshaw Limited.

Key management of the Group are the executive members of Illustrative Corporation's board of directors and members of the executive council. Key management personnel remuneration includes the following expenses:

	2020 £'000	2019 £'000
Salaries including bonuses	222	222
Social security costs	28	28
Pension contribution	3	2
Total Remuneration	253	252

As the Company is a wholly owned subsidiary of HB Healthcare Limited, the Company has taken advantage of the exemption contained in FRS 102,33.1.A and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

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

The Company is a wholly owned subsidiary undertaking of D.R.C. Holding Company Ltd.

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

The largest group in which the results of the Company are consolidated is that headed by HB Healthcare Limited, incorporated in the United Kingdom. The consolidated financial statements are available to the public and may be obtained from Partis House, Davy Avenue, Milton Keynes, MK5 8HJ.