

Financial Statements

D.R.C. Locums Limited

For the year ended 31 March 2018



Registered Number 04154956

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 |

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Strategic Report

The directors present their strategic report and directors' report and financial statements for the year ended 31 March 2018.

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.

Outlook and Current Trading

Business review

The results for the year and financial position of the Company are as shown in these financial statements. Gross profit was £6,008k (2017: £8,002k) down 25% from the prior year, with gross profit margin reduced to 19% (2017: 22%). The Company generated a (loss)/profit before tax of £(145k) (2017: £1,150k), a decrease of 113%.

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 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 particularly challenging since 2016 with the implementation of government sponsored charge rate caps and more recently with increased tax burden for Public Sector workers caused by the intermediaries legislation (IR35). This has led to uncertainty and delays in the NHS recruitment processes which has exacerbated staff shortages in areas of critical care. By working closely with our key NHS clients, current trading remains robust and we intend to take advantage of competitor fall out from this rapidly evolving marketplace. There has been no change in the fundamental dynamics of the marketplace whereby demand for clinical staff greatly outweighs supply. This situation has been exacerbated by the uncertainty caused by Brexit for foreign workers. 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.

Proposed dividend

The directors do not recommend the payment of a dividend (2017: £nil).

Strategic Report

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

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

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

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

D.R.C Locums was awarded a position on the newly formed International Recruitment of GP's 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 GP's to be recruited from overseas to be placed on a permanent basis across the NHS, at present D.R.C Locums Limited are the sole supplier for the Southern Region.

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

On the 6th April 2017 the government implemented the reform to the intermediaries legislation for Public Sector engagements. Liability to pay the correct employment taxes has moved from the workers own personal service company (PSC's) to the Public Sector body or recruitment agency/third party paying the PSC. It is believed that this legislation will be applied to the private sector from April 2019.

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 and Locumlinx's service lines. We believe ultimately that continued expansion of health demand due to factors such as an ageing population will result in a continued increase in health spending per head of population over the medium to long term.

Strategic Report

iii. Locum Doctor and Nurse Supply

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

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.

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.

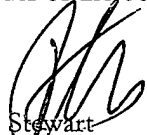
The companies held have embraced the Government's apprentice initiative enthusiastically and over 10% of our current employees have progressed the start of their careers through this programme.

Key KPIs:

DRC Locums Ltd 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

26/9/18

Directors' Report

Directors

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

James Caan (Resigned on 31st January 2018)
Deepak Jalan
Jason Stewart
Luke Alexander Williams

Disclosure of information to auditor

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

Auditor

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

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

By order of the board


Jason Stewart
Director

26/9/18

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.

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

Opinion

We have audited the financial statements of D.R.C. Locums Limited (the 'company') for the year ended 31 March 2017 which comprise 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 2017 and of its loss 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.

Who we are reporting to

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.

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.

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

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 has 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and 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.

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

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.



Giles Mullins
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes



Profit and Loss Account for the year ended 31 March 2018

| | Note | 2018 £000 | 2017 £000 |
|--|------|--------------------|-------------------|
| Turnover | 2 | 30,834 | 36,667 |
| Cost of sales | | <u>(24,826)</u> | <u>(28,665)</u> |
| Gross profit | | 6,008 | 8,002 |
| Administrative expenses | | <u>(6,093)</u> | <u>(6,802)</u> |
| Operating (loss)/ profit | 3 | (85) | 1,200 |
| Interest payable and similar charges | 6 | <u>(60)</u> | <u>(50)</u> |
| (Loss)/ Profit on ordinary activities before taxation | | (145) | 1,150 |
| Taxation on (loss)/ profit from ordinary activities | 7 | <u>65</u> | <u>(205)</u> |
| Profit/(loss) for the financial year | | <u>(80)</u> | <u>945</u> |

All results are derived from continuing operations.

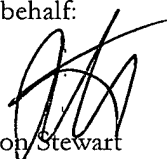
There are no recognised gains and losses other than those stated above and therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 12 to 19 form part of these financial statements.

Balance Sheet at 31 March 2018

| | Note | 2018 £000 | 2018 £000 | 2017 £000 | 2017 £000 |
|---|------|----------------|--------------|----------------|--------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | <u>139</u> | | <u>162</u> |
| Current assets | | | | | |
| Debtors | 9 | 8,202 | | 8,798 | |
| Cash at bank and in hand | | <u>231</u> | | <u>898</u> | |
| | | 8,433 | | 9,696 | |
| Creditors: amounts falling due within one year: | 10 | <u>(3,057)</u> | | <u>(4,270)</u> | |
| Net current assets | | | <u>5,376</u> | | <u>5,426</u> |
| Total assets less current liabilities | | | 5,515 | | 5,588 |
| Provisions for liabilities | 11 | | <u>(64)</u> | | <u>(57)</u> |
| Net assets | | | <u>5,451</u> | | <u>5,531</u> |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | - | | - |
| Profit and loss account | | | <u>5,451</u> | | <u>5,531</u> |
| Shareholder's funds | | | <u>5,451</u> | | <u>5,531</u> |

These financial statements were approved by the board of directors on 26/9/18 and were signed on its behalf:


 Jason Stewart
 Director

Company registered number 04154956

The notes on pages 12 to 19 form part of these financial statements

Statement of Changes in Equity

| | Called up share Capital £000 | Profit and Loss Account £000 | Total Equity £000 |
|---|---------------------------------------|---------------------------------------|----------------------|
| Year ended 31 March 2017 | | | |
| Balance at 1 April 2016 | - | 4,586 | 4,586 |
| Total comprehensive income for the period | - | | |
| Profit | - | 945 | 945 |
| | | | |
| Balance at 31 March 2017 | - | 5,531 | 5,531 |

| | Called up share Capital £000 | Profit and Loss Account £000 | Total Equity £000 |
|---|---------------------------------------|---------------------------------------|----------------------|
| Year ended 31 March 2018 | | | |
| Balance at 1 April 2017 | - | 5,531 | 5,531 |
| Total comprehensive income for the period | - | | |
| Loss | - | (80) | (80) |
| | | | |
| Balance at 31 March 2018 | - | 5,451 | 5,451 |

The notes on page 12 to 19 form part of these financial statements

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. 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

As the consolidated financial statements of HB Healthcare Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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, 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.

Notes to the financial statements

1 Accounting policies (continued)

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings classified as basic financial instruments.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.4 Tangible Assets

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

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

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

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

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

1.5 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.

Notes to the financial statements

1.6 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.

1.7 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.

1.8 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.

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

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Profit/(loss) on ordinary activities before taxation is stated after charging: | | |
| Depreciation of tangible assets | 56 | 48 |
| Auditor remuneration: | | |
| Fees payable to the Company's auditor for audit services | 15 | 15 |
| Tax | 3 | 4 |
| Operating leases: | | |
| Plant and machinery | 120 | 195 |
| Other | 63 | 59 |

Notes to the financial statements

4 Remuneration of directors

| | 2018 £000 | 2017 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | 222 | 257 |
| | <u>222</u> | <u>257</u> |

The highest paid director received remuneration of £222k (2017:£257k)

The value of the company contribution paid to a defined contribution scheme in respect of the highest paid director amounted to £27k (2017: £31k)

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 | |
|----------------|---------------------|------------|
| | 2018 | 2017 |
| Sales | 80 | 96 |
| Administration | 33 | 29 |
| | <u>113</u> | <u>125</u> |

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

| | 2018 £000 | 2017 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 3,993 | 4,712 |
| Social security costs | 401 | 541 |
| Pensions | 22 | 22 |
| | <u>4,416</u> | <u>5,275</u> |

6 Interest payable and similar charges

| | 2018 £000 | 2017 £000 |
|------------------------------|--------------|--------------|
| Invoice discounting interest | 60 | 50 |
| Other interest | - | - |
| | <u>60</u> | <u>50</u> |

Notes to the financial statements

7 Taxation

Total tax expense recognised in the profit and loss account.

| | 2018 £000 | 2018 £000 | 2017 £000 | 2017 £000 |
|--|--------------|--------------|--------------|--------------|
| Current Tax | | | | |
| Current tax on income for the year | <u>(65)</u> | | <u>191</u> | |
| Total current tax | | (65) | | 191 |
| Deferred tax | | | | |
| Origination and reversal of timing differences | <u>-</u> | | <u>13</u> | |
| Total deferred tax | | <u>-</u> | | <u>13</u> |
| Total tax | | <u>(65)</u> | | <u>205</u> |

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below.

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Current tax reconciliation | | |
| (Loss)/Profit on ordinary activities before tax | <u>(145)</u> | <u>1,150</u> |
| Current tax at 19% (2017: 20%) | (28) | 230 |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 1 |
| Losses carried back | 28 | - |
| Group relief claimed | - | (24) |
| Adjustments to tax charge in respect of previous periods | <u>(65)</u> | <u>(2)</u> |
| Total tax charge (see above) | <u>(65)</u> | <u>205</u> |

Notes to the financial statements

8 Taxation (continued)

Factors that may affect future tax charges

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% from 1 April 2020. Was substantively enacted on 26 October 2015.

Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

Deferred tax asset

The Company has recorded a deferred tax asset/(liability) of (£7k) (2017: (£7k)) in relation to accelerated capital allowances.

8 Tangible fixed assets

| | Computer Equipment £000 | Furniture and fittings £000 | Leasehold improvements £000 | Total £000 |
|----------------------|-------------------------------|--------------------------------------|-----------------------------------|---------------|
| Cost | | | | |
| At beginning of year | 741 | 226 | 48 | 1,015 |
| Additions | 33 | - | - | 33 |
| At end of year | <u>774</u> | <u>226</u> | <u>48</u> | <u>1,048</u> |
| Depreciation | | | | |
| At beginning of year | 586 | 226 | 41 | 853 |
| Charge for year | 50 | - | 6 | 56 |
| At end of year | <u>636</u> | <u>226</u> | <u>47</u> | <u>909</u> |
| Net book value | | | | |
| At 31 March 2018 | <u>138</u> | <u>-</u> | <u>1</u> | <u>139</u> |
| At 31 March 2017 | <u>155</u> | <u>-</u> | <u>7</u> | <u>162</u> |

9 Debtors

| | 2018 £000 | 2017 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 208 | 1,252 |
| Other debtors | 8 | 9 |
| Prepayments and accrued income | 1,173 | 1,214 |
| Amounts due from group undertaking | 6,784 | 6,323 |
| Corporation Tax asset | 29 | - |
| | <u>8,202</u> | <u>8,798</u> |

The trade debtors of £208k (2017: £1,252k) disclosed above is the result of netting off gross trade debtors of £3,251k (2017: £3,579k) and the related invoice factoring liability of £3,043k (2017: £2,327k) in line with FRS 102 guidelines.

Notes to the financial statements

10 Creditors: amounts falling due within one year

| | 2018 £000 | 2017 £000 |
|-------------------------------------|--------------|--------------|
| Trade creditors | 699 | 341 |
| Amounts owed to group undertakings | 1,314 | 1,300 |
| Taxation and social security | 242 | 1,498 |
| Corporation Tax | - | 133 |
| Deferred Tax liability (see note 8) | 7 | 7 |
| Other Creditors | 454 | 597 |
| Accruals and deferred income | 341 | 394 |
| | <u>3,057</u> | <u>4,270</u> |

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

11 Provisions

| | Dilapidations £000 |
|--|-----------------------|
| At beginning of year | 57 |
| Utilised during year | - |
| Charge to the profit and loss for the year | 7 |
| At end of year | <u>64</u> |

12 Called up share capital

| | 2018 £ | 2017 £ |
|---|------------|------------|
| Allotted, called up and fully paid 10,000 Ordinary shares of £0.01 each | <u>100</u> | <u>100</u> |

Notes to the financial statements

13 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | 2018 Land and buildings £000 | 2018 Other £000 | 2017 Land and buildings £000 | 2017 Other £000 |
|----------------------------|---------------------------------------|-----------------------|---------------------------------------|-----------------------|
| Less than one year | 125 | 36 | 120 | 55 |
| Between one and five years | 533 | 8 | 521 | 24 |
| More than five years | 57 | | 193 | - |

During the year £183k was recognised as an expense in the profit and loss account in respect of operating leases (2017: £254k).

14 Related Party Transactions

During the year D.R.C Locums Limited, incurred £291,000 (2017: £288,000) of board fees from Hamilton Bradshaw Limited. At the year-end £90,000 (2016 £30,000) was due to Hamilton Bradshaw Limited. Directors of D.R.C Locums Limited are holding directorships at Hamilton Bradshaw Limited. All of the transaction are arms-length rates.

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.

15 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.