

Pinnacle Staffing Group Plc

Results for the 53 week period ended 6 January 2008

Pinnacle Staffing Group Plc ("Pinnacle"), the specialist temporary healthcare recruitment group, announces its full year results for the 53 week period ended 6 January 2008.

	53 weeks ended 6 January 2008 £000's	17 weeks ended 31 December 2006 £000's
Revenue	43,466	17,967
Gross profit	8,167	3,910
EBITDA before exceptional items	264	795
Operating (loss) / profit	(461)	560
(Loss) / profit before tax	(633)	365
Diluted (loss) / earnings per share (pence)	(0.79)	0.29

- A transitional year as the Group tackled several years of decline and under-investment in the business
- Operational action plan rolled out in 2007 to address core issues of recruitment, retention and utilisation of temporary staff
- Business restructured to support the Group's commitment to quality and compliance, national coverage and continued focus on the healthcare staffing market.

Commenting on the results, Jacqui Skinner, Chief Executive of Pinnacle said:

"Our market is driven by the availability of temporary staff because the NHS Framework Agreements have significantly reduced the historical differential between the pay rates of temporary staff and those in substantive posts. In addition to meeting our NHS commitments in acute care, we will continue to develop higher margin business in other sectors of the healthcare market. With our restructuring measures, the rollout of the operational action plan and the continued commitment to quality, we believe we have a platform for positive progress in 2008 ."

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Chairman's Statement

The Group has delivered EBITDA of £264k for the period before exceptional restructuring costs (2006: £795k).

2007 has been a transitional year for the Group as the Board tackled the challenges of reversing several years of decline and under-investment in the business. Market conditions continue to be difficult with the burden of compliance and the reduced pay rates imposed under the NHS National Framework Agreements making temporary work within the NHS less attractive than it has traditionally been for existing and prospective temporary staff.

To counteract this, the Board adopted an operational action plan in June 2007 to address the core areas of recruitment, retention and utilisation of temporary staff. The plan is ongoing but we have seen some stabilisation in activity over the second half of the year.

Further, we have continued to restructure the business, to reflect our commitment to quality and compliance, our national footprint and focus on the healthcare staffing market.

Financial Results

The results presented are for the 53 week period ended 6 January 2008. Comparative figures are presented for the period from 5 September 2006 to 31 December 2006.

Group revenue for the period amounted to £43.5m (2006: £18.0m). The reduction in our gross margin percentage to 18.8% (2006: 21.8%) is as a result of the full year impact of the Regional Nursing Framework, which although introduced in 2006 did not fully impact the business until this year. Total gross margin achieved was £8.2m (2006: £3.9m).

The business has continued to focus on operational efficiency and overheads have been reduced wherever possible by restructuring the business and renegotiating with suppliers. During the year, we have also given notice on the Transitional Services Agreement with Nestor Healthcare Plc ("Nestor") and we will start to see the cost benefits of our new arrangements from Q3 2008.

EBITDA before finance charges, taxation, and exceptional restructuring costs was £264k (2006: £795k). The operating loss was £461k (2006: operating profit £560k), finance charges were £172k (2006: £195k) the taxation charge was £71k (2006: £111k), total depreciation and amortisation of intangible assets was £647k (2006: £235k) and retained loss after tax was £704k (2006: retained profit after tax: £254k).

Following demerger from Nestor, the Group assumed a beneficial working capital position (arising as a result of Nestor retaining the trade payables and staff payroll liabilities), resulting in a significant cash inflow in 2006. For 2007, there has been a total cash outflow of £684k (2006: cash inflow of £1.2m) due to the combined effect of capital expenditure investment of £249k and working capital financing necessary for the business during the year. Closing net borrowings were £1.9m (2006: £1.2m).

Dividend

In order to support future growth and to address the legacy of under-investment in the Group, it is essential that the Group continues to invest in staff, systems and marketing capability. Consequently the Board has taken the decision not to pay a dividend at this time.

Board

During the year, Margaret Ford decided to step down from the role as Non-Executive Chairman to concentrate on a new Executive role with the Royal Bank of Canada. I stepped up to the Chairmanship having been a Non-Executive Director since the demerger in September 2006. In November 2007, Ewan Gowrie was appointed as a Non-Executive Director and in January 2008, Julie Greenwood took the decision to relinquish her role as Chief Executive. She has been replaced by Jacqui Skinner who was the Company's Managing Director prior to her appointment as Chief Executive. Also during the year, Stephen Booty resigned from his Non-Executive role.

Outlook

Market conditions remain challenging but the operational action plan has brought a degree of stabilisation to the business. We will continue to develop opportunities for higher margin non-NHS business particularly permanent placements, complex care at home and the provision of healthcare professionals to the independent sector. The Board considers that the restructuring of the business combined with a continued commitment to quality and compliance, our national footprint and focus on the healthcare staffing market mean the Group has a platform for positive progress in 2008.

Richard Aitken-Davies
Chairman
28 March 2008

Business Review

Principal activities and Review of Business

The Group is an established market leader in the temporary healthcare staffing market. It supplies nurses, locum doctors, carers and other medical personnel to a wide client base including the NHS, private hospitals, care homes and to individuals within their own homes. It is one of the few national temporary staffing recruitment businesses dedicated to the supply of healthcare professionals. The business has a national presence, operating through 32 branches, which are supported by the Group infrastructure.

The results for the period show sales of £43.5m (2006: £18.0m) and EBITDA, before finance charges, taxation and exceptional items, of £264k (2006: £795k). Operating loss was £461k (2006: operating profit £560k) and a pre-tax loss was £633k (2006: pre-tax profit £365k). The taxation charge for the period was £71k (2006: £111k) and the final loss after tax was £704k (2006: profit after tax £254k).

Nursing Division

Pinnacle supplies temporary nurses and health care assistants through the BNA, Mayfair and Grosvenor brands.

Following the rollout of the latest round of NHS Regional Framework Agreements in late 2006, this division has seen a degree of stabilisation. Our challenge is now one of supply as these agreements, which govern supply of nurses to NHS Acute Trusts, have sought to significantly narrow the pay differential between temporary workers and those employed directly by the Trusts. In consequence attracting staff to work at the rates implicit in the contracts has proved to be a significant challenge and a large volume of the shifts offered to us go unfilled.

In order to mitigate this, the Group is committed to its regional network of branches, which give it local access to both the PCT and private sector markets. This business generally attracts higher margins and our local presence allows us to offer a better quality and more personal service to our customers.

Medical Services Division

Temporary and permanent Allied Health Professionals ("AHP's") and Health Science Staff ("HSS") are supplied through our Holt, Medic International and Pinnacle Podiatry brands.

This is another area that has been affected by the reduced pay rates implicit in the NHS Framework Agreements. The Division has a greater proportion of business with the NHS than the Nursing Division and there is a problem in recruiting these categories of specialist staff at the pay rates available.

This problem led to the withdrawal of Holt from its North Central London Master Vendor Contract for the supply of Allied Health and Health Science Staff in the first quarter of 2008. In order to fulfil the contracted fill rates, it was necessary to use secondary agencies more extensively than anticipated to cover some specialist staffing areas that have not traditionally been Holt's main area

of supply. In consequence, the total margin generated through the Contract was insufficient to cover costs.

Strategy

The objective of the Group is to achieve profitable growth by capitalising on its strong brand portfolio and national presence. We aim to achieve this through:

- remaining focussed and dedicated to the supply of temporary healthcare professionals to the NHS and independent markets;
- expanding into higher growth markets, in particular:
 - higher margin private sector work;
 - complex care nursing at home;
 - the provision of mental health professionals to independent sector operators;
 - management of temporary staffing 'banks' for the NHS and independent markets;
- continued development of the Group's information technology platform further to allow remote access for customers and candidates, further reducing transactional costs;
- investing in our people and our marketing capability; and
- pursuing relevant opportunities for consolidation which we believe will arise in this sector.

Jacqui Skinner
Chief Executive
28 March 2008

Financial Review

Income Statement

The results presented here are for the 53 week period ended 6 January 2008. Comparative information is presented for the period from 5 September 2006 to 31 December 2006 ("2006").

Revenue

Revenue for the period amounted to £43.5m (2006: £18.0m). The implementation of the operational action plan has brought a degree of stability to the business after a number of years of decline. Market conditions remain challenging from a supply rather than demand perspective and we are focussed on maintaining and expanding the size of our candidate database and maximising its utilisation.

Gross Margin

The overall gross margin amounted to £8.2m (2006: £3.9m). The full year impact of the latest NHS Nursing Framework Agreements and general market conditions continue to exert a downward pressure on margins, which the Group has mitigated where possible by targeting higher margin non-NHS business. This had the effect of stabilising gross margin percentage at 18.8% (2006: 21.8%).

Operating Expenses

Management continue to drive operational efficiency and have sought to reduce costs wherever possible without damaging the operational capacity of the business. The current annual overhead run-rate is some £1.4m less than that of the period to 31 December 2006.

This process is continuing with a significant ongoing IT project to extract the business from the Transitional Services Agreement entered into with Nestor when the Company was demerged in September 2006. This will provide considerable benefits in terms of improved quality of service both from our IT infrastructure and our back office pay and bill systems but at significantly reduced costs. The project is scheduled for completion in the third quarter of 2008. Operating expenses before financing charges, depreciation and amortisation of intangible assets amounted to £7.9m (2006: £3.1m).

Financing Costs

The Group fulfils its financing requirements by way of an invoice discounting facility, whereby it can borrow up to 80% of outstanding receivable balances less than 120 days old. Total bank charges in the period amounted to £55k (2006: £155k) and interest payable on the invoice discounting facility borrowings totalled £117k (2006: £40k).

Loss before tax

The Group made a loss before tax of £633k (2006: profit before tax £365k).

Taxation

The total taxation charge for the year is £71k (2006: £111k). £39k relates to an under provision of the prior period's tax charge, there is a £3k charge relating to our overseas operations, and the remaining £29k is the deferred tax charge for the year (2006 credit: £11k). The charge relating to the loss for the year is £nil (2006: £122k).

Loss Per Share

Basic loss per share amounted to 0.80 pence (2006: earnings per share 0.29 pence). Fully diluted loss per share is 0.79 pence.

Dividend

The Directors do not recommend the payment of a dividend on ordinary shares at this time (2006 £nil).

Cashflow and borrowings

Closing net borrowings amounted to £1.9m (2006: £1.2m). Our financial year end coincides with the slowest point of the year both operationally and from a cash generation perspective as many of our clients curtail their operations over the Christmas period. Further, our December holiday pay year end means that there is a significant cash outflow as temporary staff claim their rolled-up holiday pay entitlement. In addition to this, our 2006 closing position was flattered by a number of working capital benefits obtained as a result of the demerger from Nestor.

Year end trade debtor days were 44 days (2006: 37 days) which is artificially high due to the year end slow down in cash collections. The average January to November 2007 debtor days were 36 days, which the Directors consider is satisfactory for this sector.

Trade Payables

Trade payables and payroll liabilities amounted to £3.1m (2006: £3.3m). The Group had an average of 29.4 days purchases (2006: 18.3 days) included in trade payables at the period end. The company had no trade payables at the period end.

Treasury Policy and Financial Risk Management

The Group manages its cash and debt position in order to minimise interest costs. The current level of borrowings mean that the Board believes that it is unnecessary to have an interest rate hedging policy.

The Group's financial instruments comprise invoice discounting facilities, cash and other items arising from operating activities such as trade receivables and trade payables. The main purpose of these financial instruments is to provide finance for the Group's operations. At the year end, the Group had available, unutilised borrowing facilities totalling £2.3m.

The principal financial risks of the Group are identified as follows:

Banking covenants

The Group is committed to maintaining the key financial indicators as set out in the covenants relating to the invoice discounting facility. Since the year end, these indicators have been relaxed with those relating to Group net asset value and operating profit being dropped. The remaining covenants relate to a minimum headroom requirement and quality of debt measures.

Credit Risk Management

It is Group policy to mitigate credit risk arising through client debt by undertaking credit checks on all new private clients prior to commencement of trading. Further, the application of rigorous credit control procedures highlights potentially difficult debt at an early stage so that remedial action can be taken.

David Laing
Finance Director
28 March 2008

Income Statement

for the period ended 6th January 2008

	Notes	53 weeks to 06/01/08 £000	17 weeks to 31/12/06 £000
Revenue	3	43,466	17,967
Cost of sales		(35,299)	(14,057)
Gross profit		8,167	3,910
Marketing and sales		(3,052)	(1,525)
Administrative expenses		(5,576)	(1,590)
EBITDA before exceptional items		264	795
Depreciation of property, plant and equipment		(222)	(90)
Amortisation of intangible assets		(425)	(145)
Exceptional items	4	(78)	-
Operating (loss)/profit		(461)	560
Finance expense		(172)	(195)
(Loss)/Profit before taxation		(633)	365
Tax expense	5	(71)	(111)
(Loss)/Profit for the period		(704)	254
(Loss)/Earnings per 10p share			
Basic	6	(0.80p)	0.29p
Diluted	6	(0.79p)	0.29p

Group and Company Balance Sheets

As at 6th January 2008

	Note	Group		Company	
		53 weeks to 06/01/08 £'000	17 weeks to 31/12/06 £'000	53 weeks to 06/01/08 £'000	17 weeks to 31/12/06 £'000
Assets					
Non-current assets					
Goodwill	7	9,868	9,868	-	-
Intangible assets	7	4,642	4,987	-	-
Property, plant and equipment	8	491	544	-	-
Deferred income tax assets		-	11	-	-
Investments in subsidiaries		-	-	21,171	21,171
Total non-current assets		15,001	15,410	21,171	21,171
Current assets					
Trade and other receivables		6,047	6,092	5	-
Cash and cash equivalents		110	418	-	-
Total current assets		6,157	6,510	5	-
Total assets		21,158	21,920	21,176	21,171
Equity					
Ordinary shares		8,763	8,763	8,763	8,763
Share premium account		7,408	7,408	7,408	7,408
Share payment reserve		11	-	11	-
Retained (losses)/earnings		(450)	254	(937)	(293)
Total equity		15,732	16,425	15,245	15,878
Liabilities					
Current liabilities					
Financial liabilities:					
- Borrowings - loans		2,020	1,644	-	-
Trade and other payables		3,289	3,581	5,931	5,293
Current income tax liabilities		-	119	-	-
Deferred income tax liabilities		18	-	-	-
Provisions		99	151	-	-
Total current liabilities		5,426	5,495	5,931	5,293
Total liabilities		5,426	5,495	5,931	5,293
Total equity and liabilities		21,158	21,920	21,176	21,171

Group and Company Statement of Changes in Equity

for the period ended 6th January 2008

	53 weeks to 06/01/08 £000	17 weeks to 31/12/06 £000
Group		
Net recognised (expense)/income	(704)	254
Shares issued during the period	-	16,171
Share based payments	11	-
(Decrease)/increase in equity shareholders' funds	(693)	16,425
Total equity at beginning of the period	16,425	-
Total equity at end of the period	15,732	16,425
	2007 £000	2006 £000
Company		
Net recognised expense	(644)	(293)
Shares issued during the period	-	16,171
Share based payments	11	-
(Decrease)/Increase in total equity	(633)	15,878
Total equity at beginning of the period	15,878	-
Total equity at end of the period	15,245	15,878

Group and Company Cash Flow Statements

for the period ended 6th January 2008

	Group		Company	
	53 weeks to 06/01/08 £000	17 weeks to 31/12/06 £000	53 weeks to 06/01/08 £000	17 weeks to 31/12/06 £000
Operating activities				
Cash generated from operations (note 9)	(99)	3,963	-	5,000
Interest paid	(172)	(195)	-	-
Income taxes paid	(165)	-	-	-
Net cash (used in)/generated from operating activities	(436)	3,768	-	5,000
Investing activities				
Purchase of intangible assets (note 7)	(80)	(19)	-	-
Purchase of tangible assets (note 8)	(169)	-	-	-
Proceeds from sale of property, plant and equipment	1	-	-	-
Purchase of business and subsidiary undertakings	-	(7,928)	-	(5,000)
Net cash acquired with subsidiary undertakings	-	2,953	-	-
Net cash used in investing activities	(248)	(4,994)	-	(5,000)
Financing activities				
Increase in loans from banks	376	1,644	-	-
Net cash generated from financing activities	376	1,644	-	-
Net (decrease)/increase in cash and cash equivalents	(308)	418	-	-
Cash and cash equivalents at beginning of the period	418	-	-	-
Net (decrease)/increase in cash and cash equivalents	(308)	418	-	-
Cash and cash equivalents at end of the period	110	418	-	-

On the 4th September 2006 Pinnacle Health Care Limited issued 20,900,001 fully paid ordinary shares of 10p each, at a premium of 91.3p each, to Nestor Primecare Services Limited in exchange for the assets of Nestor Primecare Services Limited's staffing business and subsidiary undertakings. The value of the assets transferred amounted to £21,171,424 and included in these assets were cash balances of £2,953k.

On the 4th September Pinnacle Staffing Group Plc acquired the entire issued share capital of Pinnacle Health Care Limited in exchange for 87,633,070 Ordinary 10p shares, issued at a premium of 8.45p per share, and £5m in cash.

Notes to the Financial Information

1 Corporate Information

Pinnacle Staffing Group plc is a limited liability company incorporated and domiciled within the United Kingdom whose shares are publicly traded. The consolidated preliminary results for the Company as at and for the period ended 6 January 2008 comprise the company and its subsidiaries ("the Group").

The consolidated preliminary results for the Group for the period ended 6 January 2008 were approved by the directors on 28 March 2008.

2 Basis of preparation and accounting policies

Basis of preparation

These consolidated preliminary results have been prepared in accordance with the recognition and measurement criteria of IFRS. They do not include all of the financial information included in the Group's annual report and should be read in conjunction with the consolidated financial statements of the Group as at and for the period ended 6 January 2008.

Nature of the financial information

The financial information set out above does not constitute the Company's statutory accounts for the period ended 6 January 2008 and for the period ended 31 December 2006, but is derived from those accounts. Statutory accounts will be delivered to the Registrar of companies following the Company's annual general meeting. The auditors have issued an unqualified audit report on those accounts.

Significant accounting policies

The accounting policies applied by the Group in these consolidated preliminary results are the same as those applied by the Group in the consolidated financial statements contained in the annual report and accounts.

3 Segmental reporting

Operations are conducted and managed through two segments - Nursing and Medical Services, with segmental results reported on this basis. Costs have been allocated on a specific basis where possible, and certain central costs allocated on a reasonable and consistent basis.

The UK was the origin and destination of all of the Group's material revenue in 2007. All revenue is derived from external customers. All of the Group's material operating profits were earned in the UK, and all of the Group's material operating assets and net assets were located in the UK, in 2007.

	2007 £000	2006 £000
Revenue by business segment		
Nursing	30,423	11,772
Medical Services	13,043	6,195
Total	43,466	17,967
	Operating loss 2007 £000	Operating profit 2006 £000

EBITDA before exceptional items by business segment		
Nursing	489	610
Medical Services	(225)	185
Total EBITDA before exceptional items	264	795
Depreciation of property, plant and equipment	(222)	(90)
Amortisation of intangible assets	(425)	(145)
Exceptional items	(78)	-
Total depreciation, amortisation and exceptional items	(725)	(235)
Operating (loss)/profit by business segment		
Nursing	(47)	467
Medical Services	(414)	93
Total operating (loss)/profit by business segment	(461)	560
Finance expense	(172)	(195)
(Loss)/profit before taxation	(633)	365
Tax expense	(71)	(111)
(Loss)/profit for the period	(704)	254

Central costs have been allocated across the business segments on the basis of activity and on a consistent and reasonable basis.

The segment assets and liabilities at 6 January 2008 and depreciation, amortisation and capital expenditure for the year then ended are as follows:

	Segment assets 2007 £000	Segment liabilities 2007 £000	Net operating assets 2007 £000
Analysis of operating assets and liabilities by business segment			
Nursing	15,141	(3,878)	11,263
Medical Services	6,017	(1,548)	4,469
Total operating assets/(liabilities), including goodwill, at 6th January 2008	21,158	(5,426)	15,732
			2007 £000
Net assets per Group balance sheet			21,158
Net debt			(5,426)
Total net operating assets, including goodwill, at 6th January 2008			15,732

	Exceptional items 2007 £000	Capital expenditure 2007 £000	Depreciation 2007 £000	Amortisation of intangibles 2007 £000
Analysis of other segment items				
Nursing	29	197	173	335
Medical Services	49	52	49	90
Total	78	249	222	425

	Segment assets 2006 £000	Segment liabilities 2006 £000	Net operating assets 2006 £000
Analysis of operating assets and liabilities by business segment			
Nursing	14,275	(3,789)	10,486
Medical Services	7,645	(1,706)	5,939
Total operating assets/(liabilities), including goodwill, at 31st December 2006	21,920	(5,495)	16,425

	2006 £000
Net assets per Group balance sheet	21,920
Net debt	(5,495)
Total net operating assets, including goodwill, at 31st December 2006	16,425

	Exceptional items 2006 £000	Capital expenditure 2006 £000	Depreciation 2006 £000	Amortisation of intangibles 2006 £000
Analysis of other segment items				
Nursing	-	15	64	79
Medical Services	-	-	26	66
Total	-	15	90	145

4 Exceptional items

Exceptional items are presented separately as, due to their nature and for the infrequency of the events giving rise to them, this allows shareholders to understand better the elements of financial performance for the year, so as to facilitate comparison with prior periods and to assess better the trends of financial performance.

	2007 £000	2006 £000
Charged to operating profit		
Restructuring and business reorganisation costs	78	-
Total charged to operating profit	78	-

During the year, the group commenced a programme to restructure its International business. This involved the creation of a new strategic partnership in Australia and the cessation of existing operations in both the UK and Australia. The costs of £47.4k recognised as an exceptional item in 2007 represents professional fees, redundancies and one off tax expenses incurred.

During the year the group also restructured its credit control function. This involved internal staff reorganisation and the physical move of one credit control office. The costs of £10.8k recognised as an exceptional item in 2007 represents the physical costs of relocation and certain related redundancies.

Following the appointment of Jacqui Skinner as Managing Director in September 2007 the decision was made to reorganise the management structure of the nursing division. The costs of £20k recognised as an exceptional item in 2007 represent redundancy costs in respect of this reorganisation.

5 Taxation

	2007 £000	2006 £000
Corporation tax on taxable profit/(loss) for the period	3	122
Under-provision in respect of prior year	39	-
Current tax charge	42	122
Deferred tax charge/(credit) for the period	29	(11)
Deferred tax charge/(credit)	29	(11)
Tax expense for the period	71	111

The effective tax rate for the year is 0% of corporation tax for the UK (2006:30%)

	2007 £000	2006 £000
(Loss)/Profit at the standard rate of corporation tax at 20%/30%	(127)	111
Expenses not deductible	130	-
Under-provision in respect of prior year	39	-
Timing differences in respect of accelerated capital allowances	29	-
Tax expense for the period	71	111

6 (Loss)/earnings per share

Basic (loss)/earnings per 10p share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

For diluted (loss)/earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has only one category of potentially dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period. A total of 3,071,428 options that have been granted in the period qualified under this test. However, Julie Greenwood resigned on 23 January 2008, therefore her options, of 1,785,714, have now lapsed.

	2007 Earnings £000	2007 Weighted average number of 10p shares	2007 Earnings per share pence
(Loss) per share	(704)	87,633,070	(0.80)
Diluted (loss) per share	(704)	88,918,784	(0.79)

	2006 Earnings £000	2006 Weighted average number of 10p shares	2006 Earnings per share pence
Earnings per share	254	87,633,070	0.29

7 Goodwill and intangible assets

	Total 2007 £000	Total 2006 £000
Goodwill		
Group		
Cost		
At 1 st January 2007	9,868	9,868
At 6th January 2008	9,868	9,868

Group goodwill derives from the acquisition of businesses and subsidiary undertakings in 2006. In 2006, the directors specifically evaluated the carrying values of goodwill for each such acquisition. Following the conclusion of these evaluations, the directors have concluded that no impairment of goodwill is required.

The carrying amounts of goodwill by business segment are as follows:

	2007 £000	2006 £000
Goodwill by business segment		
Nursing	7,122	7,122
Medical services	2,746	2,746
Total	9,868	9,868

Other intangible assets	Development Costs	Temporary Staff Databases	Customer Contracts	2007 £000
Group				
Cost				
At 1 st January 2007	-	81	5,051	5,132
Additions	80	-	-	80
At 6th January 2008	80	81	5,051	5,212
Amortisation				
At 1st January 2007	-	4	141	145
Charge for the year	-	4	421	425
At 6th January 2008	-	8	562	570
Net book amount				
At 6th January 2008	80	73	4,489	4,642
Other intangible assets				
	Development Costs	Temporary Staff Databases	Customer Contracts	2006 £000
Group				
Cost				
At 5th September 2006 on demerger	-	-	-	-
Additions	-	81	5,051	5,132
At 31st December 2006	-	81	5,051	5,132
Amortisation				
At 5th September 2006 on demerger	-	-	-	-
Charge for the year	-	4	141	145
At 31st December 2006	-	4	141	145
Net book amount				
At 31st December 2006	-	77	4,910	4,987

Other intangible assets represent the capitalised value of customer contracts and staff databases acquired via business combinations (acquisitions of businesses and subsidiary undertakings). Such contracts and databases are capitalised at fair value and amortised over a period equal to the remaining useful economic life. Contract lives so amortised vary between three and twelve years, database lives are amortised over 20 years.

The Group carries out reviews of its intangible assets on an annual basis to determine whether events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated as either the higher of the net selling price, replacement cost, or value in use; the resultant loss (the difference between the carrying amount and the recoverable amount) is recorded as a charge to the consolidated income statement. The calculation of replacement costs is based on the current value of overhead costs attributable to database management. The value in use is calculated as the present value of the estimated future cash flows expected to result from the use of assets in the business being evaluated. In order to determine the present value of

estimated future cash flows, the Group uses a discount rate of 11% based on its estimated weighted average cost of capital. Estimated future cash flows used in the impairment calculations represent management's best view of likely market conditions including selling prices, volumes and employment costs over a period of 5 years. Beyond this, the UK long-term growth rate of 2.25% has been assumed. Actual cash flows may differ significantly from these estimates due to the effect of changes in market conditions or to subsequent decisions on the activities of the business. These differences may have a material impact on the asset values, impairments and amortisation expense reported in future periods.

Of the intangibles acquired of £15m, £5.13m has been identified as relating to temporary staff databases and customer contracts that require classification as intangible assets. A charge of £425k has been included in the income statement in relation to the amortisation of these intangible assets. Goodwill of £9.86m has arisen on the acquisition of the assets of Pinnacle Health Care Limited because of the management, staff and, strategic property locations that do not meet the criteria for recognition as an intangible asset at the date of acquisition.

Development costs represent capitalised costs from the development phase of a new pay and bill system for the temporary staffing business, which is scheduled for completion in the third quarter of 2008. The costs are amortised over the useful life of the project, which is three years.

8 Property, plant and equipment

	Leasehold improvements 2007 £000	Plant & equipment, fixtures & fittings 2007 £000	Total 2007 £000
Group			
Cost			
At 1st January 2007	-	634	634
Additions	36	133	169
Disposals	-	(1)	(1)
At 6th January 2008	36	766	802
Depreciation			
At 1st January 2007	-	90	90
Eliminated on disposal	-	(1)	(1)
Charge for the year	-	222	222
At 6th January 2008	-	311	311
Net book amount			
At 6th January 2008	36	455	491

	Plant & equipment, fixtures & fittings 2006 £000	Total 2006 £000
Group		
Cost		
At 5th September 2006 on demerger	615	615
Additions	19	19
<hr/>		
At 31st December 2006	634	634
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Depreciation		
At 5th September 2006 on demerger	-	-
Charge for the year	90	90
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At 31st December 2006	90	90
<hr/>		
Net book amount		
At 31st December 2006	544	544

At 6 January 2008 and 31st December 2006, the net book value of assets held under finance leases, capitalised and included in plant and equipment, fixtures and fittings amounts to £nil. The depreciation charge on such assets during the year amounted to £nil.

9 Notes to the cash flow statements

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Reconciliation of (loss)/profit to cash generated from operations				
(Loss)/profit for the period	(704)	254	(644)	(293)
Adjustments for:				
Tax expense	71	111	-	-
Finance expense	172	195	-	-
Depreciation of property, plant and equipment	222	90	-	-
Profit on sale of property, plant and equipment	1	-	-	-
Amortisation of intangibles	425	145	-	-
Share based payments	11	-	11	-
Changes in working capital:				
(Decrease) in provisions	(52)	-	-	-
Decrease/(increase) in trade and other receivables	45	792	(5)	-
(Decrease)/increase in trade and other payables	(290)	2,376	638	5,293
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Cash (used in)/generated from operations	(99)	3,963	-	5,000

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash and cash equivalents	(308)	418	-	-
(Increase) in loans from banks	(376)	(1,644)	-	-
	(684)	(1,226)	-	-
Net debt at beginning of the period	(1,226)	-	-	-
Net debt at end of the period	(1,910)	(1,226)	-	-