2 November 2006

Healthcare Locums Plc
(“HCL” or “the Company”)

Acquisition of Blue Group International Holdings Limited
Placing of 29,090,894 Placing Shares at 55p raising £16 million
And
Notice of Extraordinary General Meeting

Healthcare Locums Plc, one of the UK’s largest and fastest growing specialist healthcare recruitment companies, today announces that it has entered into an acquisition agreement to acquire the entire issued share capital of Blue Group International Holdings Limited (“BG Holdings”) one of the leading qualified social work agencies in the UK.

The maximum consideration for the acquisition will be £14 million: £10 million payable in cash on completion, £2 million payable on the first anniversary of completion and a further potential £2 million in earn-out payments based on an earn-out contribution before central costs of £5 million in 2008 and £6 million in 2009.

In addition, the Company has today announced it is raising £16 million by way of a proposed Placing of 29,090,894 Placing Shares at 55p per Ordinary Share. Of this, £10 million is to provide funds for the payment of the initial cash element of the acquisition consideration due on completion.

Highlights:

- Acquisition of BG Holdings, one of the UK’s leading Qualified Social Work (“QSW”) agencies with approximately 15% of the UK market. BG Holdings was founded in 2000 and in 2006 turnover was in excess of £36m.

- Earnings enhancing in first full year (31 December 2007).

- Excellent fit into the Company’s model of one site call centre operation with no branch network. Back office can integrate immediately with HCL and annual cost savings of approximately £1m are expected to be made from 2007.

- Gives a good balance to the Company’s business in aiming to achieve a 33% split between its three core markets (Allied Health Professionals, Doctors and QSW)

- HCL will be a market leader in QSW, where the locum market is estimated at over £192m. This market favours larger operators with approved supplier status and is being driven by an increased move towards flexible working, candidate shortages and changes in training requirements.

- HCL intends to use £10 million of the proceed of the Placing to satisfy the initial consideration for BG Holdings and the remainder of the net proceeds to reduce bank borrowings for working capital requirements and to fund possible further niche acquisitions.

- The Placing is subject to shareholder approval which will be sought at the EGM on 27

November 2006.

Commenting on the Acquisition and Placing, Kate Bleasdale, Chief Executive, said: "The acquisition of BG Holdings will transform our social work division and represents a significant step towards achieving our ideal business mix between our three core markets. We believe that the Qualified Social Work market has strong margins and excellent growth potential, which we intend to capitalise on.

We are very pleased with the level of support from both existing and new investors and proceeds will be used not only to fund today's acquisition but to strengthen the balance sheet and support the long term growth and development of the business."

The following text comprises edited extracts from the Chairman's letter to Shareholders of the Company.

Background

In the Company's Admission Document dated 4 November 2005, the Directors identified the substantial but fragmented nature of the healthcare recruitment sector. The Directors also stated that they believed that there were a significant number of acquisition targets available and that the Directors intended to actively pursue acquisitions in this sector where appropriate. HCL is one of the UK's leading specialist healthcare agencies. This market position has been achieved from a standing start in 2003 when the Company was founded. The Company continues to focus on higher margin healthcare recruitment and it does not operate in the low-margin nursing recruitment business.

HCL aims to balance the business around three core market segments: Doctors, Allied Health Professionals ("AHPs") and Qualified Social Workers ("QSW"). In the six months to 30 June 2006 the split of HCL's business by speciality was (i) Doctors 36 per cent; (ii) AHPs 56 per cent; and (iii) QSW 8 per cent.. The acquisition of BG Holdings will move HCL towards a more even spread across these three core market segments.

On 31 January 2006 the Company acquired the Medical Professionals and Social Work Professional businesses for an aggregate consideration of up to £1.15 million and on 10 March 2006 the Company acquired the BBL Medical business for £10.5 million. These acquisitions have given HCL a good platform and presence in the General Practitioner and QSW markets. The majority of the enlarged business is run from one large call centre based in Essex, supported by three small regional offices. The Company increased its bank borrowings to fund part of the cash consideration payable for those acquisitions. Both of these acquisitions have already been earnings enhancing and successfully integrated with the HCL model.

The Company has now entered into an agreement for the acquisition of the entire issued share capital of BG Holdings. The consideration of up to £14 million is to be satisfied by the payment of £10 million in cash on completion and £2 million in cash on the first anniversary of completion with a potential earn out of a further £2 million. Blue Group International Limited ("BGI"), a wholly owned subsidiary of BG Holdings is one of the leading suppliers of QSWs in the UK. BGI also has a small medical division which will be absorbed into HCL's existing businesses.

Turnover which is attributable to BGI's QSW division for the 12 months ending 30 June 2006 was approximately £29.6 million with a net contribution of £3.2 million. The small medical division's turnover was approximately £6.6 million with a net contribution of £0.4 million. BGI has recently disposed of a technical division and the turnover attributable to the remainder of BGI Group for the 12 month period ending June 2006 was £36.3 million with a net contribution of £3.7 million prior to central overheads. The central overheads attributable to the QSW and medical divisions were £1.5 million, resulting in a profit before interest and tax for the businesses of £2.2 million. Of these central overheads HCL will immediately make cost savings which would have equated to £0.7 million in 2006. As a consequence the pro forma profit before tax after the costs savings to be made by HCL for the year ended 30 June 2006 would have been £2.9 million.

Net current assets at the date of the Acquisition are to be £1. The net current assets calculation includes trade debtors and an invoice discounting facility secured upon the debtors book.

The Acquisition represents an important step towards the Company's goal to achieve a more equal balance between the three core market segments in which it operates. BGI's QSW division achieved 36 per cent. sales growth in 2005/2006 and demonstrated the ability to achieve strong gross margins of between 21 per cent, to 24 per cent. The social care market is a growing market, driven by staff shortages, changes to training requirements and an ageing population. BGI fits the HCL model of one central call operation. The Company has a track record of successfully integrating acquisitions and migrating them onto HCLs model and platforms and is confident that it can remove certain central costs and can integrate BGI successfully. The Directors believe that the Acquisition will be earnings enhancing to Shareholders in 2007.

The Acquisition Agreement is conditional on, *inter alia,* the passing of the Resolutions and Admission.

Current Trading

Trading of HCL in the second half of the year is in line with management's expectations. The UK healthcare recruitment market continues to favour the larger companies with HCL benefiting from increased usage of 'master vendor' agreements. HCL has won contracts with an estimated potential annual value of £35 million in the first half of 2006, and will benefit from these contracts in the remainder of 2006 and going forward into 2007. In addition to the original UK locum business, the Group continues to develop and expand new business lines. Increased focus on permanent placements and working with the private sector in fulfilling its staffing shortfalls for specialist staff means that gross margins are strong. The first half of 2006 saw revenues from permanent placements increase by over 200 per cent. compared with the first half of 2005. HCL looks forward with confidence to 2006/7 and beyond.

Use of proceeds of the Placing

The Company intends to use £10 million of the proceeds of the Placing to satisfy the initial consideration of £10 million payable under the Acquisition Agreement. The Company also intends to use the remainder of the net proceeds for current working capital requirements, the strengthening of the balance sheet and to fund possible further niche acquisitions.

The Acquisition

The principal terms of the Acquisition Agreement are as follows:

Under the terms of the Acquisition Agreement, the Company has agreed to acquire the entire issued share capital of BG Holdings in consideration for a maximum of £14 million, £10 million of which is payable in cash on completion, £2 million of which is payable on the first anniversary of completion and a further potential £2 million based on an earn-out contribution before central costs of between £4 million and £5 million in 2008 and £5 million and £6 million in 2009. The earn-out payments, if the targets are achieved, are payable in September 2008 and September 2009 respectively. At the option of the Company, 50 per cent, of the 2008 earn-out payment may be satisfied by the issue of Ordinary Shares at the average mid-market price three days prior to issue.

Details of the Placing

The Company proposes to raise approximately £15.1 million (net of expenses) through the issue of the Placing Shares at the Placing Price. The Placing Price represents a discount of 13.7 per cent. to the closing middle market price of 63.75p on 1 November 2006, being the last practicable date prior to this document. The Placing Shares will represent 32.0 per cent. of the Company's issued share capital immediately following Admission.

The Placing Agreement is conditional upon, *inter alia,* the Resolutions being duly passed at the EGM to be held on 27 November 2006 and Admission becoming effective on or before 8 a.m. on 28 November 2006.

Admission and dealings

The Placing Shares will, when issued, rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends and other distributions declared following Admission. It is expected that such Admission will become effective and that dealings will commence on 28 November 2006.

Extraordinary General Meeting

An EGM will be held at 10 a.m. on 27 November 2006 at the offices of Lawrence Graham LLP, 190 Strand, London WC2R 1JN.

The Resolutions, if approved, will (i) increase the authorised share capital of the Company; (ii) authorise the Directors to allot the relevant securities; and (iii) disapply premption rights pursuant to section 89(1) of the Act.

The Placing is being made on a non pre-emptive basis as the time and costs associated with a pre-emptive offer resulting from the introduction of the EU Prospectus Rules (which came into force on 1 July 2005) are considered by the Directors to be excessive. The making of a pre-emptive offer would require the production of a prospectus which would have to comply with the Prospectus Rules and be pre-vetted and approved by the FSA.

Certain Shareholders and Directors have irrevocably undertaken to vote in favour of the Resolutions to be proposed at the EGM in respect of an aggregate of 18,724,780 Ordinary Shares (representing approximately 30.3 per cent., of the issued share capital of the Company).

General Share Issuance Authorities

In addition, the Directors are seeking renewal of, and an increase in, their general authorities to issue Ordinary Shares and/or other securities, such general authorities having been last granted to them at the Annual General Meeting of the Company held on 14 June 2006 ("AGM").

Recommendation

The Directors consider the Resolutions to be proposed at the Extraordinary General Meeting are in the best interests of the Company and the Shareholders as a whole. Consequently, the Directors unanimously recommend that Shareholders vote in favour of all of the resolutions to be proposed at the Extraordinary General Meeting.

Expected timetable of events

	2006
Latest time and date for receipt of Forms of Proxy	10 a.m. on 25 November
Extraordinary General Meeting	10 a.m. on 27 November
Admission and dealings in the Placing Shares expected to commence on AIM	8 a.m. on 28 November

The definitions used in this announcement are as set out in the Circular to Shareholders dated 2 November 2006.

A copy of the circular is available for inspection at the offices of Lawrence Graham LLP, 190 Strand, London WC2R 1JN.

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