

18 December 2015

Positive Healthcare PLC Application to ISDX Growth Market

Positive Mental Health Limited ("PHML"), the wholly-owned operating subsidiary of the Positive Healthcare PLC ("Positive" or the "Company"), is an established business in the healthcare recruitment business.

PMHL was incorporated in England on 20 February 2014. PMHL operates in the healthcare recruitment sector in England and recruits mental health doctors, nurses and carers exclusively, including psychologists (all talking therapies), psychiatrists, community nurses and registered mental nurses. The niche in which PMHL operates lies within the Allied Health Professions (AHP) sector of the NHS and private hospitals. PMHL has five employees and its principal place of business is located at Warlies Park House, Horseshoe Hill, Upshire, EN9 3SL. PMHL's audited financial statements appear in Appendix II and Appendix III of the Admission Document. In the 6 months to 30 June 2015, PMHL's turnover was £600,639 and it reported a profit for the financial period of £28,287. The Directors believe that there are three other specialist mental health recruiters in the UK that compete with PMHL. The Company's Directors intend to grow PMHL at a manageable pace and ultimately cover additional niches within the Allied Health Professionals sector.

The Directors intend to expand its family of healthcare recruitment businesses to form a group that provides a full range of recruitment services to the NHS and other healthcare customers. In so doing, the Company's Directors intend to create a business with strong brand loyalty, an efficient operating structure and over time a group which becomes a major player in the healthcare recruitment market.

The intention, with additional bond funding, is to add to the existing business by acquiring one or more recruitment businesses within the healthcare sector, with between £0.25M and £1M of Earnings before Interest and Tax ("EBIT"). The acquired companies would initially be run under their own brands but with some centralised financial control, marketing and training. The Directors will only consider acquisitions which will be controlled by the Group, i.e. they will not make passive investments. With the bond funding of £2,000,000 which will be available on Admission the Directors are targeting one or two businesses to "bolt-on" to the current trading group.

Over time the acquired businesses will be brought together under the Positive Healthcare brand. The cash flows generated from the acquisitions will be used to pay the interest on the Company's Bonds and are expected to enable the redemption of the Bonds at the end of their term.

The Company's Directors believe that they are well-positioned to implement this growth strategy, as collectively they possess extensive expertise in recruitment, in buy-and-build strategies and in corporate finance activities. The Company's Directors include the founder and current non-executive chairman of an AIM-listed recruitment (non-healthcare) business with an Enterprise Value of approximately £40M and an experienced specialist in high-growth recruitment businesses as both owner/ manager and investor.

The Company has offered for subscription up to £3,500,000 Bonds at £1 per unit nominal value.

The Directors of the Company are pleased to announce that subject to the offer 2,000,000 Bonds will be issued on or shortly before admission and it has therefore made an application for 2,000,000 Bonds to be admitted to trading on the ISDX Growth Market under the ticker symbol DOC. Admission is expected to take place on 5 January 2016.

The Company is seeking admission of 2,000,000 Bonds of £1 each

Introduction to the Healthcare Recruitment Subsector

The recruitment industry is a profitable high-growth sector, having increased in 2014/15 by 9.7% to £31.5bn of annual revenues and forecast to keep growing over the next few years by 8.1% in 2015/16, 6.5% in 2016/17 and 7.5% in 2017/18 [Source: Recruitment & Employment Confederation's Recruitment Industry Trends Survey 2014/15]. Within this high-growth sector, healthcare has been one of the growing sub-sectors with annual revenues around £2.3bn in 2014/15 Source: Recruitment & Employment Confederation's Recruitment Industry Trends Survey 2014/15]. This growth is partly

attributable to the expenditures of the NHS, which spent £3.3bn on agency staff in 2014/15 (including non-clinical staff and those sourced through its own in-house staff bank) [Source: Monitor].

Healthcare recruitment is expected to continue growing strongly due to the expected increase in demand for healthcare workers in the context of a volatile and fragmented supply of suitably qualified and experienced staff, causing healthcare providers to rely more and more on agency staff.

The Company's Directors believe that the market is likely to change significantly in favor of ethical, valued and trusted suppliers by pushing out of the market those agencies described by the Health Secretary in June 2015 as "ripping off the NHS." The Company's Directors see great opportunity in the upcoming market upheaval for healthcare recruitment companies such as theirs that seek to do well by doing good.

Business Strategy

Building on the niche-specific expertise of PMHL and in due course on each acquired business, the Company's Directors will use their centralised candidate-attraction methodology, group-wide marketing to clients, wider business expertise and entrepreneurial experience to drive revenue growth. Any cost reductions from shared overheads will be reinvested in top-line growth. The target is to create a substantial group.

In addition, the Directors intend to drive growth by being at the forefront of what the Directors believe will become a major feature of the healthcare recruitment market of the future: Managed Service Programs (MSPs). An MSP is a different way of carrying out recruitment, whereby an external firm is used to act as a filter between the client and the agencies, ensuring that the recruitment process is carried out efficiently and effectively, with the best quality staff found at the best possible sustainable commission rates. At present, very little healthcare recruitment is organised this way but the Company's Directors believe that setting up more MSPs is one method by which major healthcare providers, such as the NHS, would be able to regain some degree of control over the spiralling costs of agency staff.

The Directors see MSPs as a high-growth area in future, which are seen as beneficial as they will allow high-quality recruiters to succeed and grow whilst removing the more exploitative and less well regulated companies from the industry. The Directors intend to actively encourage and seek such arrangements, utilising its relationship managers to drive the process. Depending on the negotiated terms of each such arrangement, the advantage to the Company as an MSP provider is that it will earn a regular retainer (giving good visibility on future revenues and enabling informed planning) and/or it will allow other businesses within the Group the first opportunity to fill vacancies and/or to earn a fee for every vacancy the client fills even if that vacancy is filled by an agency outside the Group.

If suitable businesses are identified to be acquired by the Group then following Admission the Company may issue further bonds on similar or the same terms as the Bonds. The amount of additional bond funding required will be dependent in significant part on how many businesses are acquired, the multiple payable, the percentage acquired, the payment terms, the balance sheets of the targets, other sources of funding and the cash generation post-acquisition.

The Company's Bonds will trade under the ticker 'ISDX: DOC' and the Company's ISIN code is GB00BYSZ9K78. The sector classification is Support Services.

The directors of the Company are as follows

Gary Peter Ashworth (Chairman)
Christopher Paul Ledbury (Chief Executive Officer)
Alan William Found (Independent Non-Executive Director)
Gareth Maitland Edwards (Non-Executive Director)

The Company has 50,000 £1 Ordinary shares in issue. The interests of the Directors and, their immediate families, civil partners (as defined in the Civil Partnership Act 2004) and persons connected with them (within the meaning of sections 252 to 254 of the Act), all of which, unless otherwise stated, are beneficial as at the date of this announcement and as expected to be immediately following Admission, are as follows:

Director	Number and class of Ordinary Shares	Percentage of ordinary issued share capital
Gary Peter Ashworth	34,250	68.5%
Christopher Paul Ledbury	9,000	18%
Gareth Maitland Edwards	2,000	4%
Alan William Found	NIL	NIL

In addition to the above, at the date of this announcement, the Directors are aware that the following Shareholders will be interested, directly or indirectly, in 3 per cent or more of the votes able to be cast at general meetings of the Company.

Shareholder	Number of Ordinary Shares	Percentage of Issued Ordinary Shares
Luke Oliver Johnson	4,750	9.5%

The Directors will, on Admission, have the following interests in the Bonds

Director	Number of Bonds	Percentage of issued Bonds
Gary Peter Ashworth	50,000	2.5%
Christopher Paul Ledbury	25,000	1.25%
Gareth Maitland Edwards	25,000	1.25%
Alan William Found	NIL	NI

The registered office and principal place of business of the Company is Warlies Park House, Horseshoe Hill, Upshire, Essex EN9 3SL. The telephone number of the Company is 020 3587 7566. The Company's corporate website, at which the information about the Company's business, its directors, financial reports, latest announcements are published and other investor related information as recommended by Rule 75 of the ISDX Growth Market Rules can be found, is www.positiveplc.co.uk.

Further details are contained in the Company's admission document on the ISDX website.

The directors of Positive Healthcare Plc accept responsibility for this announcement.

FOR FURTHER INFORMATION PLEASE CONTACT:

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