2021

Connecting business and career ambitions

RTC GROUP

Annual Report

for the year ended 31 December 2021

www.rtcgroupplc.co.uk
Stock Code: RTC

Welcome to the RTC Group Annual Report 2021

Highlights

Group revenue	Profit from operations	Basic EPS
£77.7m	**£0.3m**	**0.04p**
(2020:£81.4m)	(2020:£1.1m)	(2020:4.66p)

Group at a glance

RTC Group Plc is an AIM listed recruitment business that focuses on white and blue-collar recruitment, providing temporary and permanent labour to a broad range of industries and customers, in both domestic and international markets, through its geographically defined operating divisions.

UK division

Through its Ganymede and ATA Recruitment brands the Group provides a wide range of recruitment services in the UK.

Ganymede specialise in recruiting the best technical and engineering talent and providing complete workforce solutions to help build and maintain infrastructure and transportation for a wide range of UK clients. Ganymede is a market leader in providing a diverse range of people solutions to the rail, energy, construction, highways, and transportation sectors. With offices strategically located across the country, Ganymede provides its clients with the benefit of a national network of skilled personnel combined with local expertise.

Ganymede tailors its solutions to suit its clients' needs. Whether it's recruiting permanent and temporary technical, engineering and safety-critical roles or providing fully managed workforce solutions of recruitment, training, account management, contingent labour and fleet provision, Ganymede works closely with its clients to understand their requirements, keeping their goals in mind every step of the way.

ATA Recruitment provide high-quality technical recruitment solutions to the manufacturing, engineering, and technology sectors. Working as an engineering recruitment partner supporting businesses across the UK, ATA Recruitment has a strong track record of attracting and recruiting the best engineering talent for its clients. ATA's regional offices which are strategically located in Leicester and Leeds each have dedicated market-experts to ensure ATA delivers excellence to both its clients and candidates.

The Group headquarters are located at the Derby Conference Centre which also provides office accommodation for its operating divisions in addition to generating rental and conferencing income from space not utilised by the Group.

International division

Internationally, through our GSS brand we work with customers across the globe that are focused on delivering projects in a variety of sectors. GSS has a track record of delivery in some of the world's most hostile locations. Working closely with its customers GSS provides contract and permanent staffing solutions on an international basis, providing key personnel into new projects and supporting ongoing large-scale project staffing needs. GSS typically recruit across a range of disciplines and skills from operators and supervisors, through to senior management level.

Learn More

RTC Group maintains a corporate website at www.rtcgroupplc.co.uk containing a wide range of information of interest including:

- Latest news and press releases
- Company reports

Contents

Chairman's statement

For the year ended 31 December 2021

I am pleased to present the final report for the year.

Group

2021 has been a particularly challenging year with the latter part of the year experiencing some key negative factors covered below.

Trading in the Group continued to deliver satisfactory results for most of the first half but the rumble of thunder, distinctly audible in the second three months, morphed into very difficult conditions from August onwards in certain areas of the business. These were mainly focussed on our contract with Network Rail and in Afghanistan in contrast, the Derby Conference Centre and some parts of UK recruitment experienced an improving environment.

As mentioned in our interim statement, we were able to deliver a profit in the first half and consolidated our cash position. The expectation at that time was that the second half would produce an improving outlook, but history told us that there was a considerable possibility of a further waves of infections, but we were confident that we could continue to trade profitably. The outcome for the year as a whole has justified that confidence.

During the year full use has been made of Government initiatives established to assist the UK Economy which have assisted all our businesses to continue to operate normally, albeit at reduced levels.

Our UK technical & engineering recruitment operations had a difficult year in fragile market conditions but were able to produce a creditable trading result. Other areas of our UK Recruitment segment continued to prosper with slightly reduced levels of demand in both rail and infrastructure towards the ending of the CP5 Network Rail Contract. A successful culmination to our negotiations has resulted in a new contract albeit in different areas from those in CP5. In the energy division, despite the slower than expected growth of our contract to train and supply operatives to serve the roll out of the Government smart meter policy, a creditable result was secured.

Our international division, Global Staffing Solutions continued in line with expectations although global travel bans impacted some workforce mobilisation activities. As forecast in my interim statement, the contract to supply contract labour to NATO forces in Afghanistan came to an unexpectedly sharp conclusion but we were able to withdraw all our personnel from the territory successfully.

Capital investment

We continue to invest in the development of our businesses.

Dividends

In the conditions which have unfolded in 2021 it was considered prudent to continue to suspend the payment of dividends and to concentrate on balance sheet improvement in preparation for the expected need to invest in business changes and developments in the future. It is unlikely that we will be recommending a return to payments in the near future.

Staff

I should like to thank our staff at all levels for their loyalty, hard work and enthusiasm during the course of a most difficult year.

Outlook

On a positive note, we remain confident that the present global medical emergency will eventually be put behind us, but we see limited signs of that at this time as we pin our hopes on science and vaccines. Notwithstanding that expectation, the process of recovery as it comes is likely to suffer for some time from the aftershocks from these conditions and the inevitable re-shaping of human behaviour coupled with the continued efforts to reduce the carbon footprints of world energy production. Of more importance, the requirement from Network Rail that we change all our areas of contract labour supply has already caused substantial changeover expense and disruption to the smooth running of this element of our business. This has continued into the current year and is likely to have a material effect on our profitability in the first half of 2022. Nonetheless, we believe that we have explored these matters fully and that we have a roadmap for successful trading in the years to come.

W J C Douie

W J C Douie
Chairman

27 March 2022

Chief Executive's operational and strategic review

For the year ended 31 December 2021

Overview

RTC Group, like many other companies, had an extremely challenging year in 2021. The COVID pandemic continued to significantly impact client demand across many markets and where requirements for contract labour remained strong this was accompanied by higher operational costs to ensure the safety and wellbeing of our workforce which was and remains our highest priority. Candidate reluctance to change employers/careers given these turbulent times and workers self-isolating as a consequence of either directly contracting COVID or being contacted through NHS notification also impacted revenue especially in our energy and rail businesses where workers operate in large teams or in close proximity with consumers, and this in turn increased both direct and indirect costs as programme and project continuity was heavily disrupted.

In addition, the sudden and immediate demobilisation from Afghanistan due to the complete withdrawal in August of all American, United Kingdom and NATO troops curtailed a large contribution of revenue from our international business whilst simultaneously presenting additional non recoverable costs as we battled, like everybody else involved in the exercise, to extract our people in incredibly difficult and volatile circumstances to ensure a safe passage home for all concerned. This, along with protecting all our direct and indirect colleagues from COVID, was our highest priority and I am proud to say that despite the huge logistical challenge faced by the business we were able to return all our international contractors to their original countries of origin and I firmly believe our market reputation both with our clients and workers was enhanced significantly through our handling of this very difficult situation which was observed world over. I am extremely proud of all the hard work carried out by our international team during this most stressful and difficult of times.

The implementation of changes to IR 35 in the private sector, which finally became legislation in April 2021, heavily impacted our white-collar contracting community and this in turn had a commensurate impact on our contract revenue as many high value white collar professional workers either transferred to direct contracts of employment with clients or changed their working methodology to reflect the implications of the HMRC ruling on their contracting status.

Finally, our conference centre which, like many in the hospitality sector, had endured extreme hardship over the past 18 months, began to see some much-welcomed demand for social events, conferencing and accommodation from mid-year, leading up to a full order book for December, typically the best profit month of the year. However, the outbreak of the Omicron variant of COVID dissipated any hopes of this as the majority of bookings were cancelled in the wake of uncertainty resulting from Government guidance and its impact on consumers appetite to attend hospitality events. This was another significant blow to both the Group and the conference centre at a time when sector confidence was just beginning to re-emerge and upfront investments had commenced in order to attract and train new employees, as many had left the sector due to the lack of viable employment. Other additional unrecoverable costs had also been invested to ensure both operational capability and health and safety systems had been enhanced ahead of the opportunity to recover much needed revenue and profit for the business.

However, despite the untimely combination and cumulative effect of all these events, the majority of which were outside of the control of the Group, we still managed to trade, albeit marginally, in positive territory. Our balance sheet remains robust and free from long term debt or the effects of dilution, a fate which befell many shareholders of other traded recruitment businesses over the past couple of years, who raised equity at sub-optimal values in order to survive, and through the Board's successful share option cancellation programme.

Business review

UK Division

Our UK recruitment business enjoyed periods of both solid growth and new contract success during 2021 whilst simultaneously having to suffer further pockets of discontinuity of activity driven by the continued impact of COVID. This in turn impacted both productivity and profitability as client and candidate appetite, especially in the first half of the year, to either invest in new hires or to seek out new career moves was subdued. However, activity, especially in our permanent business and smart meter roll-out programme, began to gather traction mid-year only to be halted again towards the end of the year as the Omicron variant fast became a major concern for the sector.

Furthermore, the business continued to experience significant upward pressure on costs across all field-based projects in our rail and energy divisions where working practices continued to centre around the safety and well-being of our contract workforce, our clients and in many cases the consumer, where engineers working on our smart meter roll-out programme and domestic boiler repair contracts had direct engagement. Whilst our heightened safety initiatives have impacted the profitability of a range of contracts, they were extremely well received by all concerned with Ganymede gaining significant praise thereby enhancing its reputation across all impacted stakeholders. The impact of COVID in the early part of the year and the accelerated spread of the Omicron variant towards the latter end of the year saw a significant rise in lost revenue days as we experienced a rapid spread of infection across our rail and energy engineers. In total we lost an estimated 5,000 days of billable activity. Naturally, whilst this was disappointing from a revenue generation, cost recovery and profit perspective, the Group encouraged and supported all direct and indirect workers to operate a zero-risk policy on this matter.

On a more positive note, 2021 saw Ganymede further secure its position as major partner of Network Rail with the award of a new long-term contract to provide labour support to its rail maintenance and renewals programme. The new contract, which runs for between 5 and 8 years is a well-deserved

Chief Executive's operational and strategic review

For the year ended 31 December 2021

reward for whole team in Ganymede for the hard work carried out throughout the previous contractual period, which has just been completed, especially the last two years which presented significant operational challenges as the business battled through COVID.

The new contract provides a solid and long-term order book for the business to build on and, along with the other opportunities and contracts that Ganymede has with tier one contractors of Network Rail, firmly positions the business as one of the country's most dominant rail labour supply companies.

The new Network Rail contract sees Ganymede secure responsibility for a number of different operating routes than those previously supported and like all high value, long-term, labour contracts, will necessitate upfront investment as we attract, train and mobilise highly skilled workers and provide them with personal protective equipment and appropriate tooling. However, unlike most other asset expenditure, these investment costs, being people based, cannot be capitalised and will be recoverable as revenue over the life of the contract. This will therefore have some impact on the 2022 profit and loss account through increased cost of sales.

Our projects business secured a number small, but mission critical, level crossing projects from Network Rail during the year and these were carried out on time, on cost and to the complete satisfaction of the client. These small work programmes provide both a vital learning opportunity for the business as it enters the arena of fixed price programme management and also the chance to build brand awareness, capability, reputation and attract new clients in the rail sector. In addition, the projects business is collaborating with our energy division to plan, manage and deliver refurbishment projects on behalf of social housing landlords. This includes carrying out improvements through gas and electrical safety inspections, replacement of boilers and heating systems, energy performance assessments, complete kitchen and bathroom replacements and all other key domestic system replacements. The Group see significant growth opportunities for the projects business as both mainstream Government, through its levelling up strategy and regional councils, through local improvement plans, invest in wide-scale social housing improvements.

Our white-collar project recruitment business, which provides professionals on short, medium, and long-term temporary assignments was significantly impacted as the Government finally implemented the IR 35 legislation. The impact of this was severe with up to 30 percent of contractors employed through our business either transferring to direct contracts of employment with clients or in many cases leaving the sector completely. Whilst this has had a short-term impact on revenue and profits, we are now working with many clients to attract candidates into permanent roles and, given the widescale impact that IR35 has had on the contracting industry, there is significant opportunity to capture client demand over the next 18-24 months. In addition, many clients have traditionally utilised the services of recruitment businesses to supplement their inhouse recruitment capability and given the significant growth in demand for internal hires driven by the impact of IR35 this is providing both partnering and recruitment outsourcing opportunities as internal HR departments become overwhelmed with demand.

Our branch network, which services predominantly regional SME businesses with both blue and white-collar personnel, began to experience accelerated demand from mid-year and finished 2021 with a very strong order book. However, candidate reluctance to change careers, driven by continuing COVID concerns, became a limiting factor to revenue capture. However, the business began to show signs that demand was beginning to return to and exceed pre-COVID demand levels which is a promising sign for the business. During the year, following encouraging discussions with a number of clients, we launched ATA Executive Search to compliment and build on the mid-level management recruitment service provided by our branch business. Early signs are showing promising results with a number of executive appointments being successfully completed. This promising development enables the business to offer recruitment services from strategic c-suite appointments through to mid-level and operational management and high-volume workforce solutions thereby offering our clients a full life cycle solution.

The Derby Conference Centre which sits within our central services business had another very difficult year resulting from COVID. The first half suffered hugely through a combination of lock down and Government guidance discouraging any form of conferencing activity or social gatherings. Whilst the second half, which had begun gathering some momentum with a small but vital return to activity, had gradually built a full and vital order book of Christmas functions and conferencing for December which is traditionally the businesses' highest profit month. However, once again due to COVID, this time the spread of the more concerning Omicron variant, the majority of business was cancelled. This resulted in both sunk costs not being recoverable as Government avoided legislative closure and the conference centre lost revenue and profit margin as a consequence. However, despite these headwinds the conference centre made a profit in 2021 and is going in the right direction in 2022.

International

GSS faced the most gargantuan of challenges in August when, with very little notice, it faced an immediate demobilisation of all its international workforce who were deployed in Afghanistan. The scale of the operation, the timescales and numbers involved, the turmoil which was ensuing at Kabul International Airport and the logistical challenge to evacuate all staff and then repatriate them to their country of origin was a huge challenge facing our international team. However, working with our client, multiple country authorities and international carriers we successfully returned hundreds of workers to their home countries. Whilst doing this came with additional and unplanned costs to the business, our primary goal was the health and well-being of our workers

Chief Executive's operational and strategic review

For the year ended 31 December 2021

and reuniting them with their families. I believe our reputation with our clients, their clients and on the international arena in general grew enormously through our handling of this very traumatic situation.

Whilst the evacuation brought to an end our long-term supply of personnel to Afghanistan, our international business still provides a wide-ranging workforce to many other countries including, Dubai, Bahrain, Iraq, Mogadishu and Poland. Our international team of experts are able to identify, recruit, deploy and manage multi-country personnel and deploy them across various international locations, including hostile environments and have built unique capabilities which provide a significant competitive advantage in the international recruitment market.

Through this capability GSS has secured new contract opportunities with its key clients thereby ensuring new and long-term order book opportunities across a broad range of projects.

Outlook

Although for many reasons we are all naturally very disappointed with the way the year played out for us, and also mindful of the fact that there are still many geo-political events and micro-economic challenges threatening the domestic and international landscape, we believe our positioning across a broad range of markets, sectors and industries, give us every reason to be optimistic about our ability to deliver long-term sustainable value to all our stakeholders through:

- a strong undiluted balance sheet with significant headroom in our working capital facility;
- a strong blue chip order book with a new five to eight year contract with Network Rail and a new long-term contract with our international partner to support their United Kingdom and International growth plans;
- a market leading position in the United Kingdom's smart meter roll out programme, with long term relationships with key industry partners;
- our newly formed projects business building traction across a variety of sectors by integrating Group-wide capabilities to offer fixed price turnkey solutions with rail, energy and infrastructure clients;
- a solid combination of both short and longer-term contract revenue opportunities coupled with a long established and well-placed permanent placement business spanning multiple disciplines and sectors with growing optimism that demand is set to return to and exceed pre-COVID levels as the 'great resignation' phenomena gathers pace; and
- an experienced operational management team that has endured significant challenges over the past two years and have shown incredible individual and collective strength of character, resilience and flexibility as they have had to face multiple challenges in the most extreme circumstances.

However, this said, we cannot risk being overly confident, show complacency, nor avoid or discard the possibility that the short to medium term will continue to bring further uncertainties which will challenge growth assumptions as global and domestic clients wrestle with a precipitous and worrying growth in costs which have already begun to question the viability of many markets, traditional business models and Government spending plans.

Our people

Whilst 2021 provided a number of challenges and disappointments for the Group, many of which were outside the control of its people, the individual and team performances by our incredible employees and contractor workforce demonstrated yet again the resilience, resolve and collective belief in each other across the Group.

Without the dedication, hard work, and expertise of everybody we could not have approached the complexity of challenges we faced, in some of the toughest of circumstances, and come through it the way we have. The synergy displayed by our businesses is unique, cannot be replicated and is built into the cultural DNA of every subsidiary and its people at all levels across RTC.

On behalf of the Board of directors, a huge thank you to each and every one of you.

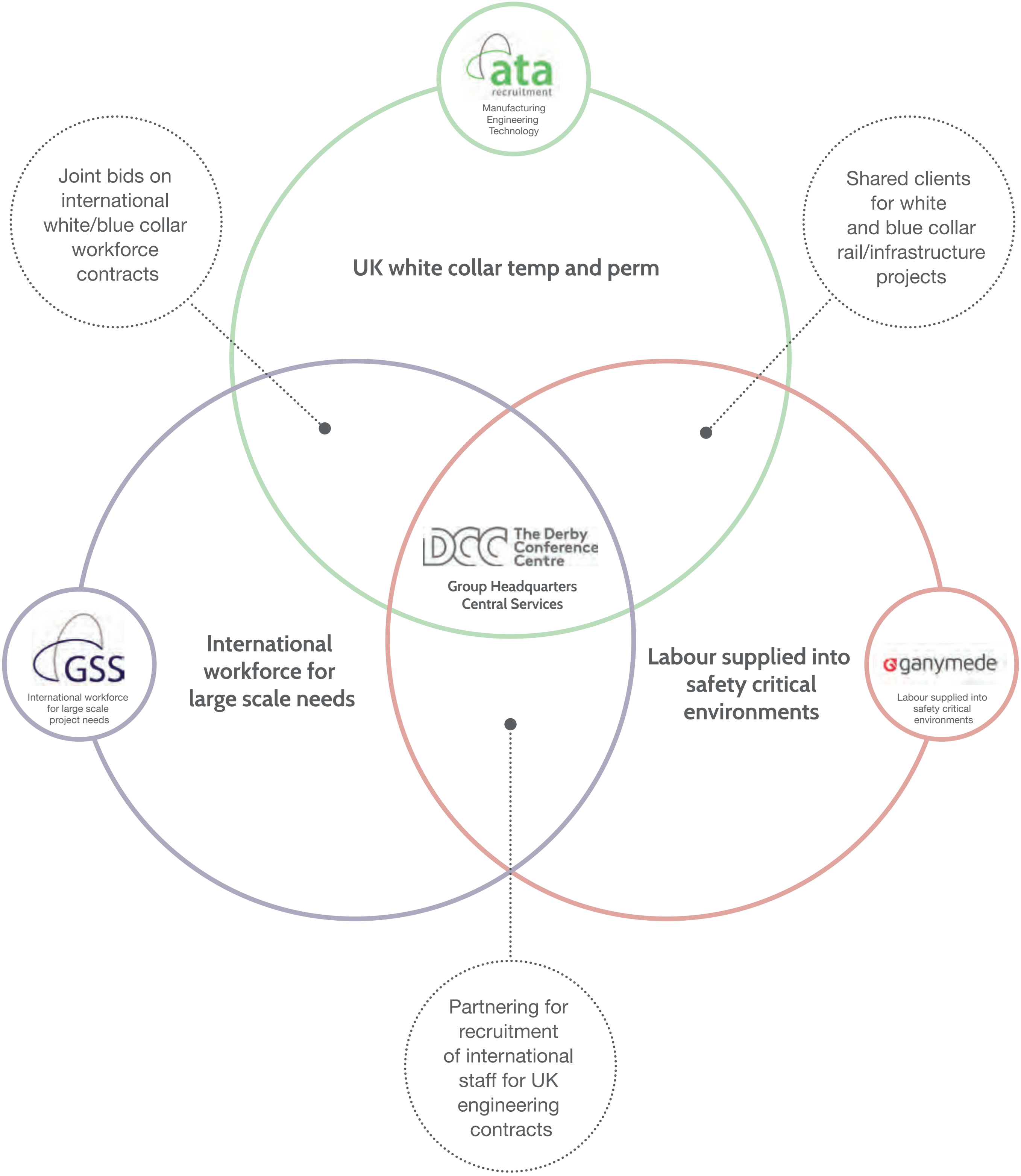
A M Pendlebury

A M Pendlebury
Chief Executive

27 March 2022

Group business model

For the year ended 31 December 2021

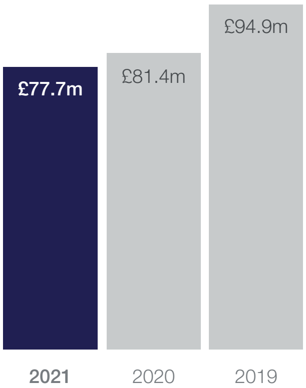


Key performance indicators

For the year ended 31 December 2021

Revenue (£m)

£77.7m

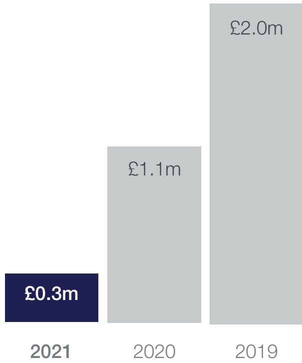


Gross profit (£m)

£11.8m

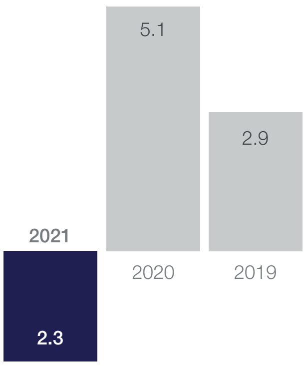
Profit from operations (£m)

£0.3m



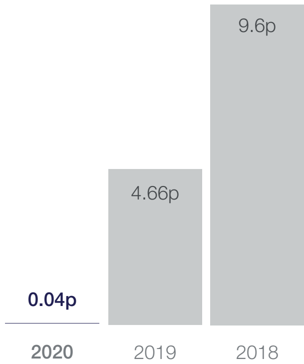
Cash flow from operating activities (£m)

£(2.3)m



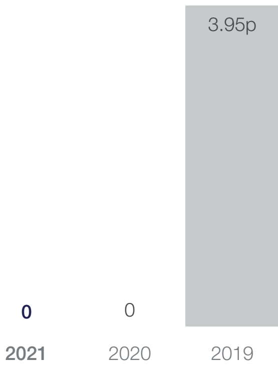
Basic PS (p)

0.04p



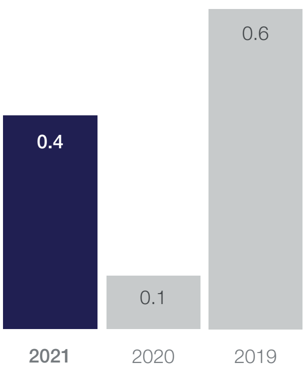
Dividend paid (during year) per share (p)

nil



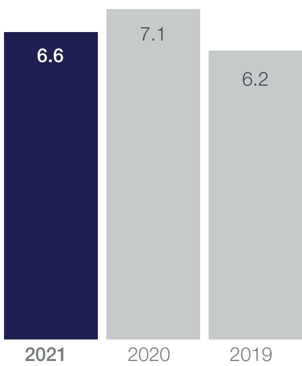
Gearing ratio

0.4



Net assets (£m)

£6.6m



Refer to the Finance Director's Report for commentary on the results for the year.

Risk management

For the year ended 31 December 2021

The corporate governance statement describes how the Group manages risk via its Board and Board sub-committees. Key business risks and how the Group mitigates these are detailed below:

Impact of the COVID pandemic

The COVID pandemic created uncertainty in the global economy. However, our activities internationally were largely unaffected by the pandemic, and most of the Group's domestic activities are in public and regulated sectors (infrastructure and railway transportation) and provide contract workers vital to the country which have continued throughout the pandemic. General UK recruitment was heavily impacted but picked up during 2021, however, there is a shortage of skilled candidates in the market and there is strong competition in recruiting staff. Hotel and conferencing activities, which were heavily impacted by restrictions at the outset, are picking up but also face challenges in recruiting staff (many have left the hospitality sector) and in dealing with staff absences. A downturn in the economic conditions of the UK, could lead to volatile demand for some of our services. To minimise these risks, we work closely with our customers to understand their future needs. The use of temporary labour allows our customers the flexibility they need to meet their end customers' demands. We believe that flexible labour resourcing becomes more important as a mitigation strategy against uncertainty. We also have strategies in place to recruit and retain staff.

The economic cycle and economic conditions

The Board takes account of on-going economic conditions and cycles. Whilst there remains much uncertainty and mixed opinion about short and medium-term prospects for the UK economy influenced by the Brexit trade deal and the COVID pandemic and other geo-political events (see above), we believe that the sectors and customers we have built relationships with have fundamental long-term growth trends. Further, the deliberate positioning of our businesses in rail infrastructure, domestic energy and overseas activities that are not subject to short-term fluctuations in the UK economy enables the Group to capitalise on prevailing market conditions both in the UK and internationally. The Group's cost base is carefully managed to align with business activity. The Group remains focused on cash generation and keeping net debt at prudent levels. This risk is further mitigated by contracts within Ganymede which are not cyclical. The Group also maintains a regular dialogue with its bank to ensure that we have their backing.

Loss of key customers

Loss of a key customer or large contract continues to be a risk. To minimise this risk, our strategy is to retain existing customers and actively pursue new customers and longer-term contracts and to identify new market opportunities to spread the risk. We also take very seriously our commitment to providing excellent service and building and maintaining customer relationships.

Competition

The recruitment market continues to be very competitive placing pressure on margins. Our internal approval process ensures that new and existing business is conducted only at appropriate and sustainable margins. The Group Board signs off terms for significant framework agreements and contracts. Further, our engagement with customers is based upon the premise that we are specialists in our chosen markets and have in-depth knowledge of the areas that we focus on. We differentiate ourselves from the competition and attract customers through our service offering with solutions tailored to specific client needs.

Shortage of skilled candidates

An ongoing shortage of skilled candidates in both permanent and temporary recruitment and thus increased competition can lead to lower margins and counter offers from existing employers are commonplace. Our consultants are experts in their area of recruitment, build strong relationships with customers and candidates and actively manage the recruitment and offer process throughout ensuring that client and candidate needs are met.

Credit risk

The inability of a key customer to pay amounts owing to us due to financial difficulties is an inherent risk. To minimise this risk, we employ pro-active credit control techniques. Often in conjunction with our bank, we credit check new customers, subscribe to a monitoring service, and monitor payment patterns and debt levels against credit limits. In addition, the Board is regularly appraised of debt levels and ageing.

Attracting and retaining key personnel

The Group is reliant on its ability to recruit, train and retain its staff to deliver its growth plans. In the aftermath of the pandemic there is a reduction in staff available in some areas, for example, hospitality and we are seeing increased competition on remuneration packages in other sectors. We continue to ensure that overall packages are competitive and include performance related incentives for staff. We have an Agile Working Policy which provides staff an opportunity for a good work-life balance, and we are a proactively inclusive employer. Succession plans are regularly reviewed.

Compliance risks

Increased employment law and regulations specific to certain business sectors and for temporary workers necessitate pre-employment checks and ongoing management of compliance. To mitigate these risks, all staff receive relevant training on the operating standards and regulations applicable to their role. Within each Group business independent teams check compliance. Compliance processes are tailored to specialisms, for example, ensuring the health and safety of temporary labour supplied into the rail industry and eligibility to work.

Risk management

For the year ended 31 December 2021

Legislative risks

Constantly changing employment and tax legislation around intermediary staff presents an area of uncertainty and therefore risk. To mitigate this risk, in conjunction with our clients and professional advisers, we monitor all changes in legislation, for example, we worked closely with key clients regarding the implementation of the updated IR35 legislation for the private sector that came into effect in April 2021, and we keep our documentation and procedures under review. The Group works closely with its clients, financial and legal advisers, and accredited recruitment bodies to ensure that the business is up to date on these issues.

Reliance on technology

Failure of our IT systems continues to be a risk that would cause significant disruption to the business. The Group's technology systems are housed in various data centres and the Group has the capacity to cope with a data centre's loss through the operation of disaster recovery sites based in separate locations to ongoing operations. The Group is committed to having an IT infrastructure that is robust, future proof, fit for purpose and cost effective and as such ensures it receives the appropriate strategic and technical advice to do this.

Cyber security and general data protection

The Group holds certain data observing strict compliance obligations although a successful cyber-attack could interrupt the business, threaten confidentiality and lead to loss of client and candidate confidence. The Group continues to respond to this threat in several ways including system security measures and reminding our staff to be vigilant. We are currently undertaking a programme of cyber security awareness training whereby staff complete a short video training session each month, followed by the IT department sending out dummy malicious emails to test how effective the training has been.

The Group has responsibilities to protect data under the General Data Protection Regulation and continually works to ensure full compliance. The Group has ISO27001 accreditation for both the Ganymede and ATA Recruitment processes.

Climate change

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. Initiatives designed to minimise the Group's impact on the environment include the reducing our carbon emissions through fleet technology; the use of electric vehicles where possible and a cycle to work scheme.

S L Dye

S L Dye
Secretary

27 March 2022

Finance Director's report

For the year ended 31 December 2021

Financial highlights

The results for the year reflect a period of lag in replacing revenue due to the slowdown of activities caused by COVID in some areas of the business and the withdrawal of NATO troops from Afghanistan. In addition, 2020 revenue was bolstered by a one-off contract performance obligation settlement of £590,000 which was not repeated in 2021. However, I am pleased to report that the Group overall delivered revenues of £77.7m (2020: £81.4m) and overall gross profit increased to £11.8m (2020: £10.2m) reflecting the fact that most contractors were back out at work rather than on furlough. Contractor wages are included in cost of sales, furlough monies received from the Government that offset those costs (refer note 4) are shown below gross profit as other operating income and in 2020 we incurred wages costs of £1.8m in cost of sales (relating to contractors on furlough) to which no revenue generation was attached which distorted the gross profit margin. Profit from operations of £0.3m (2020: £1.1m) reflects the significantly reduced support from the Government in 2021 of £0.3m (2020: £2.5m) for both contractor and own staff wages; increased administrative costs required to mobilise the new Network Rail Contract (see more detail in UK Recruitment below) and wage inflation.

UK Recruitment

The Rail division confirmed its role as a long-term key strategic supply partner to Network Rail Infrastructure Limited ("Network Rail") by entering into a new contract with them to provide frontline labour services, including the supply of safety critical, track, civil, electrification and plant and signalling resources nationally. The Contract runs from the 1 October 2021 for a minimum period of 5 years, up to a maximum period of 8 years and includes a geographical change to primary service delivery with the new contract being delivered in Scotland, Kent and Sussex. During Q4 2021 the Rail division incurred costs mobilising the new contract regions and exiting the regions serviced in the previous contract. The cost of that transition is reflected in the increase in administration costs versus 2020.

White collar permanent recruitment, serviced by our branch-based ATA Recruitment brand, picked up in 2021 after being heavily impacted by COVID in 2020. However, white collar temporary recruitment, mainly for larger clients was adversely affected by the introduction of the IR35 legislation in April 2021, although some increase in activity was seen towards the end of the year.

The Energy division saw growth in the second half of the year, supporting the Government's smart meter roll out programme.

Additionally, UK Recruitment continued to grow its minor projects capability; developing a signalling labour supply business and delivering ongoing improvement in safety performance throughout the year.

Overall, UK Recruitment delivered increased revenues of £66.8m (2020: £64.5m) which were converted to profit from operations of £2.7m (2020: 3.3m). The reduction in profit from operations despite a slight increase in revenue reflecting: administration costs to mobilise the new contract with Network Rail; the absence of the one-off contractual payment of £590,000 in 2020; and wage inflation.

International

Reduced revenues of £9.6m (2020: £16.1m) reflect a time lag in replacing revenues lost from the withdrawal of NATO troops from Afghanistan in Q2. Profit from operations correspondingly reduced to £0.5m (2020: £0.9m). The International division has not been impacted by the pandemic or utilised any Government financial support relating to the pandemic.

Central Services

Within UK Central Services, whilst the hotel and conference centre provided bedroom and meeting room facilities to key workers in line with Government guidelines, overall business levels were depressed due to Government guidance curtailing conference and event activities for most of the first half of 2021 but picked up in the second half. Revenue generated by the segment was £1.3m (2020: £0.7m) and gross profit increased to £0.7m (2020: £0.1m).

In 2020 the impact of the COVID pandemic, triggered an impairment review of the Derby Conference Centre (DCC) under IAS 36. At the time of the review, the Board concluded that no impairment was required. The DCC made a profit for the year in 2021 which was higher than forecast in the impairment review undertaken in 2020 and as such there is no impairment trigger in 2021, a look back at the 2020 impairment review has reconfirmed the conclusion that there is no impairment.

Government financial support relating to the COVID pandemic

The Group has taken advantage of Government support to enable it to retain resources and support its businesses through the pandemic. The Group has received support under the Coronavirus Job Retention Scheme and small Local Government Business Support grants which are detailed in note 4.

Taxation

The tax charge for the year was £0.1m (2020: £0.2m). The variance between this and the expected charge if a 19% corporation tax rate was applied to the profit for the year is explained in note 9.

Dividends

No dividends were paid during the year (2020: Nil). No final dividend for the year ended 31 December 2021 has been proposed (2020: Nil).

Finance Director's report

For the year ended 31 December 2021

Own shares held

The cost of the Group's own shares purchased through the Employee Benefit Trust (EBT) is shown as a deduction from equity. No options were exercised during the year. The balance of £235,918 (2020: £235,918) in the own shares held reserve within equity reflects 337,027 (2020: 337,027) shares remaining in the EBT that will be used to satisfy future exercises.

Cancellation of employee share options

On 24 May 2021, the Group announced an offer to all employees with share options that had vested to cancel their options for a one-off cash consideration of 46.5p per option share, being the mid-market closing price on 21 May 2021, the last business day prior to the announcement. As a result, 1,603,008 options were cancelled, and the cash consideration was paid to the relevant employees as remuneration through the PAYE system. The total of the remuneration payments made was £745,399 with employers NI of £102,865 paid in respect of this remuneration. Included within these totals, the number of options cash cancelled in respect of directors was 1,543,008 and the remuneration payments made to directors was £717,499, with employers NI of £99,014.

Statement of financial position and cash flows

The Group's net working capital reduced slightly to £5.0m (2020: £5.1m). The ratio of current assets to current liabilities was maintained at 1.5 (2020: 1.5). The Group's gearing ratio, which is calculated as total borrowings over net assets, increased to 0.4 (2020: 0.1).

The Group generated a net cash outflow from operating activities of £2.4m (2020: cash inflow £5.1m). The cash outflow is due to: an increase in working capital tied up in debtors as a result of the increased revenues in the later part of 2021 compared with 2020; the absence of the deferral of £1.5m of VAT payment that was allowed by the Government as part of their COVID financial support initiatives in 2020. In 2021, not only is there no deferral but the £1.5m deferred at the end of 2020 has been paid.

The Group has no term debt and is financed using its invoice discounting and overdraft facilities with HSBC. At 31 December 2021 the Group's had available funds to draw down of £4.3m (2020: £8.8m)

Financing and going concern

The Group's current bank facilities include a net overdraft facility across the Group of £50,000 and an invoice discounting facility with HSBC providing of up to £12.0m, based on a percentage of good book debts, at a margin of 1.6% above base. The Board closely monitors the level of facility utilisation and availability to ensure there is enough headroom to manage current operations and support the growth of the business.

Given the ongoing COVID pandemic, the increases in inflation, the cost-of-living squeeze and potential impacts on the economy of the events in Ukraine, in addition to the established budgeting and forecasting processes, which considers a range of plausible events and circumstances, a reverse stress test has been undertaken. This shows that, assuming a continuation of the current facilities, the Group has access to sufficient cash and facilities to withstand a 30% reduction against the 2021 revenues without any significant restructuring or other cost reduction measures.

In assessing the risks related to the continued availability of the current facilities, the Board have taken into consideration the existing relationship with HSBC and the strength of the security provided, also taking into account the quality of the Group's customer base. Based on their enquiries, the Board have concluded that it remains appropriate to conclude that sufficient facilities will continue to remain available to the Group.

Based on their enquiries, the Board have concluded that the going concern basis of preparation remains appropriate and that no material uncertainty exists.

Liquidity risk

The Group seeks to mitigate liquidity risk by effective cash management. The Group's policy, throughout the year, has been to ensure the continuity of funding through a net overdraft facility of £50,000 and an invoicing discounting facility, providing up to £12m based on a percentage of good book debts. The invoice discounting facility revolves on an average maturity of 120 days and is repayable on the giving of 3 months' notice by either party.

The strategic report was approved by the Board on 27 March 2022 and signed on its behalf by:

S L Dye

S L Dye
Group Finance Director

27 March 2022

Section 172 statement

For the year ended 31 December 2021

The directors set out their statement of compliance with s172 (1) of the Companies Act 2006 which should be read in conjunction with the rest of the annual report. The directors preside over the Group for the benefit of all stakeholders. Decisions taken by the Board are always cognisant of the impact on each stakeholder group. Fundamentally the goal is the long-term sustainable growth of the business which will see returns to shareholders increasing, enable employees to realise their ambitions and support customers in achieving their goals.

Key decisions

Board and Committee activities are organised throughout the year to address the matters reserved for the Board. An overview of the Board's principal decisions during the year, including how the Board has considered the factors set out in Section 172 of the Companies Act 2006 ("the Act"), is set out below. Key operational decisions are explained in Chief Executive's strategic report.

Decision	Actions	Stakeholder Groups considered
Dealing with the COVID pandemic	Regularly reviewed the challenges presented by the COVID pandemic and Government announcements on social distancing and safety. Engaged in proposals as to how we could continue to operate safely on sites and in the offices (for example by obtaining 'COVID Secure' status for all offices, and travel and accommodation issues for our workers). Regularly reviewed the Group's cash position under a range of revenue and scenarios to ensure sufficient working capital existed to continue operations. Making use of the furlough scheme where possible to protect the jobs of staff and contractors.	The safety of our work force was our primary driver during this period, together with their and the Group's financial security. The Board recognised the conflict of managing the financial security of the Group and the impact of furloughing staff and contractors. Where staff and contractors were affected, the Board ensured clear communication took place. The Board continues to arrange for staff and contractors to return to work as soon as possible as operations recover. The Group engaged with customers and its supply chain to ensure actions were supportive of key stakeholders and putting 'COVID Secure' measures in place for their contractors in conjunction with their customers.
Setting the annual Group budget and sensitivity modelling for going concern and impairment considerations	Reviewed and approved Group budgets for 2022 and high-level profit and cash forecasts for the next 12 months, all of which were updated for the impact of COVID and other potential events and circumstances. Approval of the going concern assumption and that no impairment of Group assets was required.	In reviewing the budget and its sensitivities, the Board considered the impact on all stakeholders. Setting the budget identified key areas of focus for the Group, providing development opportunities for employees. The budgeting process also provided reliable information to take decisions such as continuing to use the furlough scheme where necessary. In setting the budget the Board also considered customers and identified opportunities to develop customer relationships and improve service delivery and efficiency. Consideration was given to suppliers around payments ensuring that there was clarity around when payments would be made to allow suppliers to effectively manage working capital.

Section 172 statement

For the year ended 31 December 2021

Stakeholders and stakeholder communication

The directors consider the key stakeholders of the Group fall into two categories: its employees and its shareholders, customers, suppliers, and other business-related parties.

Employees as stakeholders

The directors are committed to providing a working environment that promotes employee's wellbeing whilst facilitating their performance. The ways in which the directors communicate with and support our employees are set out in the Directors' report under the headings Equality, Diversity and Inclusion, Employee Engagement, and Involvement.

Shareholders as stakeholders

The directors provide information for the shareholders through the annual report, the interim report and public announcements made through RNS **https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/GB0002920121GBGBXASX1.html.** Shareholders are invited to contact the Chairman at any time and the directors make themselves available for face-to-face discussion with shareholders at the AGM.

Customers and other stakeholders

The directors ensure that stakeholder management plans are in place for key customers and that appropriate levels of management time is afforded to meet with customers and understand their needs. Directors provide mentoring to management and the Group invests in personal development for its managers to enable them to fulfil their roles in shaping the business, for example, all senior managers have attended mini-MBA courses.

Impact on the community and the environment

The directors take very seriously their corporate social responsibility. The Group has launched its corporate social responsibility strategy and has employed a corporate social responsibility manager to implement that strategy. The key strands of the strategy are set out in the Director's report.

Maintaining a reputation for high standards of business conduct

The directors ensure that recruitment industry standards of best practice are maintained through membership of the relevant professional bodies, for example the Recruitment and Employment Confederation. Internally the Group has ethical standards and code of conduct policies which all staff sign up to.

W J C Douie

W J C Douie
Chairman

27 March 2022

Directors' report

For the year ended 31 December 2021

The directors submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2021.

Principal activity

The Group's principal activity is the provision of recruitment services. The Company's principal activity is that of a holding company.

Results and review of the business

Group revenue for the year was £77.7m (2020: £81.4m). The Group recorded a profit from operations for the year of £0.3m (2020: £1.1m).

A review of the Group's business and developments during the year and its strategic aims are set out in the overview and strategic report sections of this report.

No dividends were paid during the year (2020: Nil). No final dividend for the year ended 31 December 2021 has been proposed (2020: Nil).

Share capital

Details of share capital are shown in note 19.

Directors

The directors who served during the year and up to the date of approval of this report were as follows:

W J C Douie

A M Pendlebury

S L Dye

Significant shareholders

Interests exceeding 3% of the issued ordinary share capital of the Company that had been notified at 1 March 2022 were as follows:

	Number of shares	% Issued share capital
W J C Douie	2,409,113	16.45%
Chelverton Asset Management	1,465,000	10.00%
G A Mason	1,178,735	8.05%
A Chapman	1,127,380	7.70%
A M Pendlebury	696,871	4.76%
G J Chivers	525,809	3.59%
J Kent	454,500	3.10%

The share interests of the directors who served during the year and up to the date of approval of this report, in the ordinary shares of the Company at the start and end of the year, were as follows:

	2021	2020
W J C Douie	**2,409,113**	2,409,113
A M Pendlebury	**696,871**	696,871
S L Dye	**43,000**	43,000

Directors' interests in share options are set out in note 7.

A M Pendlebury retires by rotation and offers himself for re-election.

The market price of the Company's shares on 31 December 2021 was 42.5p (2020: 42.5p) and the highest and the lowest share prices during the year were 65p (2020: 75.5p) and 35.5p (2020: 34p) respectively.

Employees' shareholdings

The directors consider that it is in the interest of the Group and its shareholders that employees should have the opportunity to acquire shares in the Company, thus benefiting from the Group's future progress. To achieve this objective, under its EMI scheme, the Group has previously granted options over its shares to some employees.

Equality diversity and inclusion (EDI)

We are acutely aware of the benefits a diverse and inclusive workforce offer and as such we continue to take steps to ensure we provide a supportive, open and honest workplace where equality, diversity and inclusion are valued, encouraged and promoted. Our commitment to improve EDI can be seen throughout the Group through the introduction of an EDI Steering Group consisting of volunteers from all levels including Board and senior management. These EDI Ambassadors meet on a regular basis to identify actions to improve EDI, promote its benefits, raise awareness of different cultures and backgrounds and highlight the importance of inclusivity. We continue to undertake workforce EDI surveys to be able to monitor the success of our actions.

Employment of disabled persons

We continue to recruit and promote staff based on aptitude and ability without discrimination and support disabled employees with training to ensure that their career is not negatively impacted by their disability or perceptions of it. This is also the case where an employee becomes disabled whilst employed by the Group. We ensure that reasonable adjustments are put in place to provide the employee with the opportunity to continue their employment with us, this may include, but is not limited to, retraining, reviewing working hours, making adjustments to the office environment and/or providing additional support.

Directors' report

For the year ended 31 December 2021

Employee engagement and involvement

Employee engagement and involvement is a key element in the success of the Group and we have a number of initiatives in place to further develop this. In 2021 we set up three steering groups, looking at Health and Wellbeing, Modern Slavery and EDI. We asked for volunteers from within the Group to become champions/ambassadors and the response was much greater than expected, with volunteers from all levels of the Group. The Steering Groups meet no less than quarterly to discuss and agree ways to raise awareness and introduce relevant initiatives or actions, obtaining feedback from employees from the different areas of the business in which they work.

With the introduction of the Health and Wellbeing Steering Group we found that all members of the group saw the benefits of Mental Health First Aiders and each champion volunteered to become a trained Mental Health First Aider themselves, this increasing the number of mental health first aiders within the Group to 22. This providing employees with even more lines of communication to discuss and obtain support for any issues that may be affecting their mental health.

In 2022 we are looking to undertake an employee Health and Wellbeing survey to help identify the most relevant initiatives to put in place to ensure that our actions reflect the requirements of our employees and help to improve their working life. In addition, we continue to distribute a quarterly newsletter which includes company news and updates and messages from senior management.

We have recently introduced a new HR System which gives employees the ability to access both personal and Group information 24 hours a day 7 days a week. The system also provides the employee with access to Group policies via a workspace, workspaces allow employees to communicate electronically within their teams. The use of workspaces is something we will seek to develop further in 2022.

Modern slavery

The Group understands that combating the risk of modern slavery requires ongoing efforts and as such we regularly review our processes and procedures and introduce new ways of working that respect human rights and help prevent slavery and human trafficking occurring in any of our corporate activities. The Group's current Modern Slavery Act Statement can be found on our website **www.rtcgroupplc.co.uk**.

Anti-bribery and corruption

The Group takes very seriously its responsibility to prevent corruption and bribery. It has an anti-bribery and corruption policy that all employees are required to acknowledge and conduct themselves in accordance with.

Corporate social responsibility

The Group continues to work on its Corporate Social Responsibility strategy to achieve its aim of being a socially responsible business. To help create opportunities which benefit the communities within which we work we concentrate our attention on activities where we can use our expertise.

In 2021, through our "Socially Responsible" plan, the Group:

- contributed over £11,000 in corporate and personal donations to charity;
- contributed over 730 hours in social value activities, 510 hours towards the Samaritan's Million Hour Challenge;
- introduced Supported Volunteering Leave which provides employees with paid leave to volunteer in their local communities, which provided three weeks' worth of volunteering to the community;
- introduced employee EDI Ambassadors who meet on a quarterly basis to help support the Group to achieve it's EDI objectives. The Group has set up three working groups looking at how best to promote different cultures and religions, review job board selection and attraction strategy and produce a bespoke workshop detailing scenarios that may come up during recruitment;
- have undertaken numerous STEM activities with local schools and colleges through our 5 STEM Ambassadors (one of which is a Special Educational Needs Ambassador);
- set up a Health and Wellbeing Steering Group to support our Health and Wellbeing Strategy and continue with successful initiatives such as Agile (Flexible) working;
- utilised Lightfoot telemetry in over 220 fleet vehicles to monitor driver behaviour and fuel usage which helped us cut CO2 emissions from those vehicles by 117 tonnes, saving £51,000 in fuel; and
- had a 5.6% improvement in fuel consumption (MPG) in our commercial fleet.

Our quest to add social value wherever we can is continuous and so is our commitment to being "Socially Responsible", as such we aim to continually improve and develop our social value activities, and intend to undertake the following activities throughout 2022 as a minimum:

- continue our support for the Samaritans;
- increase the amount we contribute to charity;
- encourage employees to contribute more hours to social value activities;
- encourage employees to increase the number of Supported Volunteering leave days they take;
- continue to identify initiatives through our EDI Ambassadors and Health and Wellbeing Champions;
- identify and introduce a biodiversity space at our head office;
- recycle PPE/Workwear in our Rail offices;
- continue with our annual EDI surveys to help monitor the success of our EDI actions;
- further reduce fleet CO2 emissions to surpass our original target of 168 tonnes by the end of 2022;
- commence ordering electric vehicles in our commercial fleet; and
- reduce our commercial fleet fuel consumption (MPG) further, to 15% by the end of December 2022.

Directors' report

For the year ended 31 December 2021

Carbon emissions

Most of the Group's carbon emissions are generated through the combustion of fuel used by the fleet of vans utilised in providing contingent labour to the rail industry.

The Group is cognisant of its responsibility to reduce its carbon emissions and is working to do this through fleet technology that provides in-cab driver feedback to influence behaviours and improve fuel consumption, reduce harmful emissions, wear, and tear, and promote safer driving; the use of electric vehicles where possible and a cycle to work scheme.

As noted above, the Group has utilised Lightfoot telemetry in over 220 fleet vehicles to monitor driver behaviour and fuel usage which helped us cut CO2 emissions from those vehicles by 117 tonnes in 2021, saving £51,000 in fuel; and resulted in a 5.6% improvement in fuel consumption (MPG) in our commercial fleet.

Whilst we have achieved a reduction in emissions on our core fleet although, as noted above, overall, our emissions have increased as we have utilised more vehicles, both to service increased revenues in our Rail division, and to comply with COVID regulations (as requested by our clients we have had a period of increased vans to reduce occupancy).

The Group's carbon emissions and energy usage were as follows:

		2021 t $C0_2$	**2020 t $C0_2$**	**2021 MWh**	2020 MWh
Direct emissions					
Combustion of gas and use of fuel for transport	Scope 1	**2,622**	**2,304**	**11,317**	9,873
Indirect emissions for own use					
Purchase of electricity	Scope 2	**0.1**	**0.1**	**443**	387

An intensity ratio relating to the combustion of gas and use of fuel for transport has not been included as the vans are only used for certain contracts and do not contribute to total revenues for the UK division.

Directors' indemnities

The Company has qualifying third party indemnity provisions for the benefit of its directors which remains in force at the date of this report.

Post reporting date events

There have been no significant events to report since the reporting date.

Going concern

The Group has made a pre-tax profit of £114,000 (2020: £870,000) from continuing operations and the directors have taken this into account when assessing the going concern basis of preparation.

To assess the continued applicability of the going concern basis of preparation, the directors have prepared trading and cash flow forecasts for the Group for a period of 15 months from the date of approval of the financial statements.

Given the ongoing COVID pandemic, the increases in inflation, the cost-of-living squeeze and potential impacts on the economy of the events in Ukraine, in addition to the established budgeting and forecasting processes, which considers a range of plausible events and circumstances, a reverse stress test has been undertaken. This which shows that, assuming a continuation of the current facilities, the Group has access to sufficient cash and facilities available to withstand a 30% reduction against the 2021 revenues without any significant restructuring or other cost reduction measures.

In assessing the risks related to the continued availability of the current facilities, the Board have taken into consideration the existing relationship with HSBC and the strength of the security provided, also taking into account the quality of the Group's customer base. Based on their enquiries, the Board have concluded that it remains appropriate to conclude that sufficient facilities will continue to remain available to the Group and that no material uncertainty exists.

The directors are satisfied that, taking account of the Group's net assets of £6,546,000 (2020: £7,076,000), its invoice finance facility, which is its core funding line and which is classed as evergreen in that it has no fixed expiry date (although it is reviewed annually), and the Group's trading and cash forecasts for a period of 15 months from the date of approval of the financial statements, that it remains appropriate to prepare these financial statements on a going concern basis.

Directors' report

For the year ended 31 December 2021

Provision of information to auditor

Each of the persons who are a director at the date when this report was approved has confirmed:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and;
- that they have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Financial risk management objectives and policies

Treasury activities take place under procedures and policies approved and monitored by the Board. They are designed to minimise the financial risks faced by the Group which arise primarily from interest rate and liquidity risk. The Group's policy throughout the period has been to ensure the continuity of funding by use of an overdraft and an invoice discounting facility.

The Group does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The Group's approach to financial risks is set out in note 21.

Directors' responsibilities

The directors are responsible for preparing the annual report and 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 the directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Group and the Company and of the profit or loss of the Group for that period. The directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market (AIM).

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 the Group accounts have been prepared in accordance with UK adopted international accounting standards, and the Parent Company accounts have been prepared under UK GAAP, 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 Group and 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 Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

S L Dye

S L Dye
Secretary

27 March 2022

Corporate governance statement

For the year ended 31 December 2021

Statement by the Chairman on Corporate Governance

As a Company listed on the AIM market of the London Stock Exchange, RTC Group Plc has chosen to comply with the Quoted Companies Alliance Corporate Governance Code "the Code". This report describes how the Group has complied with the Code and explains any departures from the principles within the Code.

The strategy and business model of the Group are set out in the Strategic Report. A description of the Board and its committees, together with the Group's systems of internal financial control is set out below.

The Board

The Board comprises a Chairman, the Chief Executive, the Group Finance Director and one independent non-executive Director. At the time of writing the Board is in the process of recruiting a new independent non-executive director following the resignation of B W May in 2021. Further, it is intended that the Board will evolve as the Group grows to include at least two independent non-executive directors.

The Board met 12 times in 2021 and each existing Board member attended the following number of Board meetings: W J C Douie [12], A M Pendlebury [12] and S L Dye [11]. The Executive Chairman spends an average of 7 days per month occupied with Company matters and is available as required. The Chief Executive and the Group Finance Director are engaged full-time, and any independent non-executive Director is required to spend two days per month considering Company matters and attending the monthly Board meeting.

The Group believes that in the Board it has at its disposal, there is an appropriate range of skills and experience to ensure the interests of all stakeholders in the Group are fully accommodated, as demonstrated by the following biographies. The Board keep their skill sets up to date through a combination of membership of professional bodies and the associated continuing professional development that must be undertaken to maintain that; membership of relevant bodies; executive development training and extensive reading on economic and business matters. The relevant experience of each Board member is detailed below:

W J C Douie, Chairman

After two years in export sales, commencing in 1962, with British Oxygen, Bill moved into banking with Midland Bank and qualified as an associate of the Institute of Bankers. In 1969 he moved into Merchant Banking, joining Keyser Ullmann Limited and spent 11 years in investment management, corporate finance and instalment credit joining the Bank Board in 1975. In 1981, following the merger of Keyser Ullmann and Charterhouse Japhet, he left to buy out, and become Chairman of, the Group's Instalment Credit subsidiary, Broadcastle Plc, and to become Chairman of British Benzol Limited, a fully listed Company in the solid fuel industry. Following the acquisition by Broadcastle of Harton Securities Limited (a bank authorised by the Bank of England), he oversaw the merger of Broadcastle Plc and ATA Selection Plc, a USM listed recruitment Company, before becoming Chairman of the Group in 1990. He joined with Clive Chapman in 1992 to purchase the ailing ATA Selection business and remains Executive Chairman.

A M Pendlebury, Chief Executive

Andy held several senior management positions during his long career with British Aerospace Plc. In 1992 he joined the board of Wynnwith Engineering and was appointed Managing Director in 1995 establishing the business as one of the United Kingdom's fastest growing recruitment businesses. In 2002 Andy joined GKN Plc as interim Managing Director of the Company's in-house recruitment business Engage and guided it through the board's divestment strategy. From 2004 to 2007, as Chief Executive, he engineered a trading turnaround and subsequent sale to the Morson Group of White & Nunn Holdings. He joined the Board of RTC Group Plc as a Non-Executive in July 2007, becoming Group Chief Executive in October 2007.

S L Dye, Group Finance Director

Sarah is a Chartered Accountant who has worked in both the public and private sectors in the UK and overseas. Sarah qualified with BDO LLP before moving to The Post Office Plc and then The Boots Company Plc gaining experience in risk management, internal audit, and commercial finance. In 1998, Sarah joined Allied Domecq Plc as Finance and Planning Manager for Europe. In 2004 Sarah joined Nottingham Trent University where she held several senior finance positions. Sarah spent 5 years in New Zealand with the Office of the Auditor-General, working with central and local government entities and the tertiary sector. In 2011 Sarah joined Staffline Group Plc as Group Financial Controller. Sarah was appointed Group Finance Director of RTC Group in February 2013.

Independent Non-Executive Director

The Board is currently engaged in the search for a new independent non-executive director.

Board matters

The Board has a schedule of matters specifically reserved for its decision. It is responsible for formulating the Group's corporate strategy, monitoring financial performance, acquisitions, approval of major capital expenditure, treasury, and risk management policies.

Corporate governance statement

For the year ended 31 December 2021

Board papers are sent out to all directors in advance of each Board meeting including management accounts and accompanying reports from the executive directors. Annual budgets are approved by the Board. Operational control is delegated by the Board to the executive directors.

The Company Secretary acts as the conduit for all governance related matters and shareholder enquiries and passes them to the Chairman to respond.

Corporate culture

The Board is responsible for ensuring that the corporate culture is consistent with the Company's objectives, strategy and business model as set out in the strategic report. The Board achieves this by ensuring that appropriate policies on behaviour and ethics are in place and signed up to by all employees. Performance is appraised considering not just the achievement of objectives, but the behaviours demonstrated to do so. All managers and the Board lead by example in their behaviour and ethical values demonstrated. The managing directors of each subsidiary present to the Board at least annually on their subsidiary's performance and cultural matters. Periodically employee satisfaction surveys are undertaken to help inform management of the environment employees perceive they are working in.

Board performance

The performance of the Board is measured by the earnings per share. This measure is externally reported twice yearly on the publication of the interim statement and the annual report. The Executive Director's performance is also measured in relation to the achievement of specific operational and strategic objectives that support the key performance indicators which are presented in the annual report and the level of profit delivered. A significant proportion of Executive Director awards are in the form of profit related pay and performance related options.

Succession planning

The Board believes it is healthy to periodically refresh Board membership and that responsibilities within the Board should change from time to time. The Board has a succession plan in place which include the identification, training and mentoring of existing Board members to take on new responsibilities and for potential future Board members to step up. The Board also seeks the input of the independent non-executive Director.

Company secretary

All directors have access to the advice of the Company Secretary and the Independent Director and can take external independent advice on certain matters, if necessary, at the Company's expense.

Board Committees

The Board has established two specialist committees (the remuneration committee and the audit committee (refer to the separate audit committee report).

The remuneration committee is responsible for determining the contract terms, remuneration and other benefits for executive directors, including performance-related bonus schemes. Pending the appointment of an independent non-executive director, the committee comprises W J C Douie and A M Pendlebury. It is chaired by W J C Douie and meets as required but a minimum of once a year. Both committee members attended the meetings held in 2021. No members of the remuneration committee are involved in determining their own remuneration. There are plans to evolve the Company's governance structure so that the remuneration committee has an independent chair.

The whole Board considers matters of nomination and succession and thus there is no requirement for a nomination committee currently.

Engagement with shareholders

The Board values the views of its shareholders. The directors hold a material interest in the Group which aligns their interests to shareholders. The split of shareholdings at the date of this report was:

Type of shareholder	% Of total issued share capital
Directors	21.21%
Employee Benefit Trust	2.30%
Institutional Investors	10.00%
Brokers, individuals and other	66.49%

The Annual General Meeting is used to communicate with all investors, and they are encouraged to participate. The directors are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a formal resolution to approve the Annual Report. Shareholders can also contact the Company Secretary or the Chairman via the Company's website. The Board takes full cognisance of the results of any poll or feedback from shareholders and the Chairman will respond as appropriate whether by email of by offering a chance to meet with the shareholder to explain the Board's position.

W J C Douie

W J C Douie
Chairman

27 March 2022

Audit committee report

For the year ended 31 December 2021

Audit committee responsibilities

The audit committee's primary responsibilities are to review the financial statements and any changes in accounting policies; to have assurance that there are suitable internal controls and risk management systems in place; to consider the appointment of the external auditors and their independence; and to review the audit effectiveness.

Audit committee membership

The audit committee comprises W J C Douie and A M Pendlebury. It is chaired by W J C Douie and meets twice a year. Both committee members attended each meeting in 2021.

The audit committee meets as necessary to monitor the Group's internal control systems and major accounting and audit related issues.

There are plans to evolve the Company's governance structure so that the audit committee has an independent chair.

Risk and internal control

Major risks to the business are explained within the strategic report along with steps taken to mitigate these risks.

The Group operates internal control systems which are designed to meet its needs and address the risks to which it is exposed, by their nature such systems can provide reasonable but not absolute assurance against material misstatement or loss.

The Group's internal control systems are not predicated on physical controls and as such they have not been impacted by increased remote working as a result of the pandemic.

The key procedures which the directors have established with a view to providing effective internal financial control are as follows:

- **Management structure**
  The Board has overall responsibility for the Group and there is a schedule of matters specifically reserved for decision by the Board.

- **Quality and integrity of personnel**
  The integrity and competence of personnel is ensured through high recruitment standards and subsequent training. High quality personnel are an essential part of the control environment.

- **Identification of business risks**
  The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate courses of action to manage those risks. The board's of our Group businesses also actively identify risks and ensure mitigating controls are in place.

- **Budgetary process**
  Each year the Board approves the annual budget. Key risk areas are identified, performance is monitored, and relevant action taken throughout the year through the monthly reporting to the Board of variances from the budget and preparation of updated forecasts for the year together with information on the key risk areas.

- **Authorisation procedures**
  Capital and revenue expenditure is regulated by a budgetary process and authority limits for approval of expenditure are in place. For expenditure beyond specified levels, detailed written proposals are submitted to and approved by the Board. Once authorised, such expenditure is reviewed and monitored by the Board.

The Group does not have an internal audit function. The audit committee is focused on key risk areas and may request reviews to be carried out either by external specialists who are independent of the Group's management team, or it may request that particular control areas are reviewed by management.

External audit

The audit committee has primary responsibility for the relationship between the Group and its external auditor. During the year the audit committee resolved to reappoint BDO as the Group's statutory auditor.

Representatives from BDO are invited to attend audit committee meetings and the Chairman of the committee is available to meet independently with the audit partner as necessary. The independence of the auditor is kept under review and is reported twice a year as part of the audit planning and audit findings reports presented to the committee by the auditor.

To safeguard the objectivity and independence of the external auditor, the audit committee monitors the external auditor's proposed scope of work and the value of fees paid. In the year to 31 December 2021, audit fees for the Group totalled £74,928 (2020: £72,109), with additional non-audit fees of £15,215 (2020: £12,317). The audit committee confirm that they are satisfied that BDO continues to be independent.

This report was approved by the Audit Committee and the Board on 27 March 2022 and signed on its behalf by:

W J C Douie

W J C Douie
Chairman

Remuneration report

For the year ended 31 December 2021

Policy on executive directors' remuneration

The executive directors' remuneration packages are designed to attract, motivate, and retain high quality executives capable of achieving the Group's objectives. The Group's policy is to provide remuneration packages for executive directors recognising market levels for comparable jobs in the sector. The remuneration committee considers the provisions set out in the Quoted Companies Alliance Corporate Governance Code.

Executive directors' remuneration

The remuneration package for executive directors comprises:

- basic salary;
- other benefits;
- a performance related bonus; and
- share-based incentives.

The individual components of the remuneration package are discussed below.

Basic salary

Salary and benefits are reviewed annually by the remuneration committee. The Committee takes account of independent research on comparable companies and general market conditions.

Other benefits

Other benefits include a company car, private medical insurance, critical illness, and life cover.

Performance related bonuses

Bonuses are paid at the discretion of the directors as an incentive and to reward performance during the financial year. Details are set out below and in note 7.

Share based incentives

Share options

The Group has formulated a policy for the granting of share options to executive directors and full-time employees under the Group's EMI share scheme, details of which are set out in note 7.

The Group also has a share scheme for executive directors, the details of which are set out below. No awards were made in the year.

RTC Group long-term incentive plan (LTIP)

In May 2015, the Board approved the introduction of an LTIP for executive directors. The Remuneration Committee has responsibility for supervising the scheme and making awards under its terms. The maximum value of shares that could be awarded is 100% of basic salary. The current policy is to review the final results of the Company prior to agreeing if awards are to be made.

Awards under the LTIP

In 2021, no awards under the LTIP were made to executive directors.

Vesting of the awards is subject to the achievement of the performance criteria in the LTIP. Awards will vest and may be exercised on the third anniversary of the date of grant to the extent that the performance conditions detailed below are met:

Annual growth in fully diluted EPS above RPI	Proportion of award vesting
Less than 3%	Nil
3%	25%
Between 3% and 10%	Between 25% and 100% on a straight-line basis
10% or more	100%

The achievement of the performance target and the timing of the vesting of the award will be determined by the Remuneration Committee. They may adjust the performance target where it is considered appropriate to do so. Further details are set out in note 7.

Service contracts

All executive directors have service agreements with the Company which are terminable upon 12 months' notice in writing by either party. Details of directors' remuneration can be found in note 7.

Non-executive directors' remuneration and terms of service

Non-executive directors serve under the terms of a Letter of Appointment "Letter". The Letter sets out the time commitment and duties expected of the individual. The Group's policy is to pay non-executive directors at a rate which is competitive with similar companies and reflects their experience and time commitment. As non-executive directors are not employees, they do not receive benefits or pension contributions and they are not entitled to participate in any of the Group's short-term bonus or long-term incentive plans. Non-executive director's letters of appointment are terminable on one month's notice in writing from either party. Details of non-executive directors' remuneration can be found in note 7.

This report was approved by the Remuneration Committee and the Board on 27 March 2022 and signed on its behalf by:

W J C Douie

W J C Douie
Chairman

Independent auditor's report to the members of RTC Group Plc

For the year ended 31 December 2021

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of RTC Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- we assessed the Directors' trading and cash flow budgets and forecasts, which cover the period to 2 July 2023. This included gaining an understanding of the key estimates and judgements and the evidence supporting them. In doing so, we specifically considered the principal trading and cash flow assumptions, and challenged the Directors on key aspects, including the revenue forecasts, margins, changes in the cost base and the levels of capital expenditure required to support the forecast levels of activity. Our work included assessing the key assumptions by reference to past performance, considering the potential impact of the ongoing Covid-19 pandemic, other economic and geo-political events and available market information about local and macro-economic trends;
- we also reviewed the alternative scenarios modelled by the Directors to assess potential sensitivities, considering whether they were reasonable and appropriate and taking into consideration all reasonably foreseeable events and circumstances;
- we considered the results of the reverse stress test undertaken by the Directors and whether the deterioration in performance represented a plausible outcome; and
- we compared the funding requirements in the budgets and forecasts, and the alternative scenarios and reverse stress test, with the level of available cash and facilities. We also considered the terms of the available facilities as disclosed in note 17. Our work included meeting with the Group's bankers to discuss the management of the facility, the expected outcome of the annual review of the invoice discounting facility and we also considered the ability of the Group to secure alternative facilities in the event the current facilities were withdrawn.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of RTC Group Plc

For the year ended 31 December 2021

Overview

Coverage	98% (2020: 99%) of Group profit before tax 86% (2020: 99%) of Group revenue 95% (2020: 95%) of Group total assets		
Key audit matters		**2021**	2020
	Revenue recognition – temporary placements	✓	✓
	Carrying value of goodwill, other intangible assets, property, plant and equipment and right of use assets	✓	✓
Materiality	£91,000 (2020: £75,000) based on 10% of average profit before tax for the last three years (2020: 5% of average profit before tax for the last three years)		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group manages its operations from the Derby Conference Centre with regional offices at various locations throughout the UK and overseas to support its day to day operations. The Group consists of the Parent Company, three trading subsidiaries in the UK, one trading subsidiary in Dubai and one dormant subsidiary.

The Group engagement team carried out a full scope audit for the Parent Company and one of the trading companies in the UK, which was considered to be a significant component of the Group. For the non-significant UK trading subsidiaries, audit procedures were limited to detailed testing over right of use assets and lease liabilities, journals and significant estimates in line with our Group approach to the risk of management override and fraud in revenue recognition. We also completed analytical review procedures over the remaining financial information and discussed our findings with Group management. The financial information of the overseas non-significant subsidiary was limited to analytical review and discussions with Group management.

Independent auditor's report to the members of RTC Group Plc

For the year ended 31 December 2021

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition – temporary placements *The accounting policy is described in note 3.1 on page 36, with further analysis of the Group's revenue included in note 5 on page 43.*	The Group generates revenue from the provision of recruitment activities, which consists of revenue from temporary and permanent placements. For temporary placements, revenue is recognised over time as the service is provided and requires judgement in estimating the time worked by contractors but not approved by customers at the statement of financial position date. This also involves judgement in estimating the costs accruing for these contractors which then determines the corresponding revenue which should be recognised. In view of the judgements involved and the significance of these matters to the determination of the existence and accuracy of Group revenue, we consider this to be an area giving rise to a significant risk of material misstatement in the financial statements.	We assessed the appropriateness of the revenue recognition policies against the relevant accounting standards. For a sample of revenue recognised during and around the year end we inspected a sample of timesheets, customer approvals and contractor costs per the contract relating to the revenue, confirming the costs and associated revenue had been recognised in accordance with the contract terms and in the correct period. Each timesheet selected for testing was also agreed to the corresponding customer sales and contractor purchase invoices, checking they had been recorded accurately in the nominal ledger. For a sample of timesheets and customer approvals received subsequent to the year end, we agreed these to the contract terms to determine that where revenue related to the current year it was appropriately recognised as accrued income. We tested the subsequent collection of trade receivables and the amounts invoiced in respect of contract assets at 31 December 2021, on a sample basis, to identify any matters which might be indicative of issues with the existence of revenue. We also tested all manual journals posted to revenue to supporting documentation to check they were valid and appropriately recorded.
Key observations We have not identified any matters to suggest that temporary placement revenue has not been recognised appropriately and in accordance with the requirements of applicable accounting standards.		

Independent auditor's report to the members of RTC Group Plc

For the year ended 31 December 2021

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Carrying value of goodwill, other intangible assets, property, plant and equipment and the right of use assets

The Group's impairment accounting policy is described in note 3.7 on page 38 with critical estimates and judgements detailed in note 2 on page 35</td><td>The market capitalisation of the Group at 31 December 2021 was lower than the net assets which is an indicator that impairments might exist. As a result management were required to perform an impairment review in accordance with the requirements of IAS 36 Impairment of assets.

An impairment review was carried out for one CGU, The Derby Conference Centre (DCC), in the prior year, due to the entity reporting losses in the year. For the year-ended 31 December 2021 DCC reported a return to profit which is forecast to continue resulting in no impairment trigger existing at 31 December 2021.

The nature of an impairment review includes significant judgement by management and a high degree of estimation uncertainty, with the most significant judgements being in relation to the achievement of the forecast future trading and cash flows used to determine the value in use.</td><td>We have tested the judgements made by management in undertaking the impairment assessment, which comprised an assessment of the value in use in respect of the overall Group Cash Generating Unit ("CGU").

This work included:

• review of the integrity of the value in use model and appropriateness of discount rate used, with the use of our internal valuation experts and benchmarking the discount rate used against similar entities;
• challenging the reasonability of the forecasts, undertaken in conjunction with the going concern assessment. This included assessing the appropriateness of the key assumptions, having regard to past performance and based on facts and circumstances at the balance sheet date;
• challenging the appropriateness of the sensitivities applied. This included considering the potential impact of the ongoing Covid-19 pandemic, other economic and geo-political events and available market information about local and macro-economic trends; and
• we also reviewed the stress testing undertaken by management to assess the level of underperformance against the forecasts required to eliminate the headroom which would give rise to impairments.</td></tr>
<tr><td colspan="3">Key observations
We have not identified any matters which indicate that the assumptions and estimates made by management are not plausible in support of their conclusion that no impairment arises.</td></tr>
</table>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent auditor's report to the members of RTC Group Plc

For the year ended 31 December 2021

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	**2021 £**	2020 £
Materiality	91,000	75,000	86,000	71,000
Basis for determining materiality	10% of the three year average of profit before tax	5% of the three year average of profit before tax	2% of total assets capped by reference to 95% of group materiality	
Rationale for the benchmark applied	Profit before tax remains the most appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance. The use of a 3 year average reflects the volatility introduced by the current economic environment and the resulting short term reduction in profitability seen in 2020 and 2021. We determined that, whilst the benchmark for materiality of profit before tax remains the most appropriate, materiality for the current year should be increased to 10% of the average profit before tax over the last three years to better reflect the performance measure used by stakeholders in assessing the Group's performance.	Profit before tax is considered the appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance. Given the current economic environment and short term reduction in profitability, we concluded that materiality for the year should be based on an average profit before tax over the last three years.	Total assets is considered an appropriate benchmark as the main purpose of the Parent Company is to hold the investments in subsidiaries. Materiality was capped at 95% of Group materiality given the assessment of the component's aggregation risk.	
Performance materiality	63,000	56,000	60,000	53,000
Basis for determining performance materiality	70% of materiality Whilst there is no history of material errors or control weaknesses, a lower performance materiality threshold has been used due to the increased significance of the areas of estimation within the financial statements.	75% of materiality Determined with reference to our risk assessment, no history of errors or control weaknesses and no significant changes in the nature of the Group's operations.	70% of materiality Whilst there is no history of material errors or control weaknesses, a lower performance materiality threshold has been used due to the increased significance of the areas of estimation within the financial statements.	75% of materiality Determined with reference to our risk assessment, no history of errors or control weaknesses and no significant changes in the nature of the Parents Company's operations.

Independent auditor's report to the members of RTC Group Plc

For the year ended 31 December 2021

Component materiality

We set materiality for the significant component based on a percentage of Group materiality dependent on the size and our assessment of the risk of material misstatement in that component. Component materiality was set at £77,000 (in 2020 there were 2 significant components with materiality of £27,000 and £71,000) In the audit of the component, we further applied a performance materiality level of 70% (2020: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,600 (2020: £3,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company 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.

Independent auditor's report to the members of RTC Group Plc

For the year ended 31 December 2021

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures were designed to be capable of detecting irregularities, including fraud, is detailed below:

- enquiring of Management, the Board and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- obtaining an understanding of the legal and regulatory frameworks applicable to the Group based on our understanding of the Group, sector experience and discussions with management. The most significant considerations for the Group are the applicable accounting frameworks, Companies Act 2006, Corporate Taxes and VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010.
- discussing among the engagement team, who also performed the audit procedures on significant and other components, to assess how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified the potential for fraud in the following areas:
  - management override of control; and
  - revenue recognition – specifically the estimates associated with the existence and accuracy of temporary placement revenue and the manipulation of revenue through fraudulent journals;

Our procedures in response to the above included:

- enquiries of Management, the Board and the Audit Committee and reviewing correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations including fraud. We corroborated our enquiries through our review of board minutes. We also reviewed the Group's tax computations and returns and financial statements against the requirements of the relevant tax legislation and the accounting framework respectively;
- testing the appropriateness of accounting journals, both during the year and relating to the consolidation process and other adjustments made in the preparation of the financial statements. We used data assurance techniques to identify and analyse the complete population of all journals in the year, to identify any which we considered were indicative of management override. This included testing all manual journals to revenue. Testing over these journals, together with journals and other adjustments made in the consolidation and preparation of the financial statements, was performed by agreeing them to the relevant supporting documentation;
- reviewing the Group's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business; and
- with respect to the risk of fraud in revenue recognition, specifically the estimates associated with the existence and accuracy of temporary placement revenue, the procedures as set out in the key audit matters section above.

Independent auditor’s report to the members of RTC Group Plc

For the year ended 31 December 2021

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor’s report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Mair

Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham, United Kingdom

27 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Notes	**2021 £'000**	2020 £'000
Revenue	3.1,4,5	**77,715**	81,356
Cost of sales		**(65,928)**	(71,117)
Gross profit		**11,787**	10,239
Other operating income	3.1a,4	**351**	2,477
Administrative expenses		**(11,864)**	(11,663)
Profit from operations	6	**274**	1,053
Finance expense	8	**(160)**	(183)
Profit before tax		**114**	870
Tax expense	9	**(109)**	(204)
Total profit and other comprehensive income for the period attributable to owners of the Parent		**5**	666
Earnings per ordinary share			
Basic	10	**0.04p**	4.66p
Fully diluted	10	**0.03p**	4.13p

The following notes 1 to 25 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	**146**	**120**	**(236)**	**50**	**718**	**6,278**	**7,076**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**5**	**5**
Transactions with owners:							
Share options cancelled	**–**	**–**	**–**	**–**	**(782)**	**37**	**(745)**
Share based payment charge	**–**	**–**	**–**	**–**	**210**	**–**	**210**
Total transactions with owners	**–**	**–**	**–**	**–**	**(572)**	**37**	**(535)**
At 31 December 2021	**146**	**120**	**(236)**	**50**	**146**	**6,320**	**6,546**

The consolidated statement of changes in equity for the prior period was as follows:

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	146	120	(264)	50	557	5,627	6,236
Total comprehensive income for the year	–	–	–	–	–	666	666
Transactions with owners:							
Share options exercised	–	–	28	–	(4)	(15)	9
Share based payment charge	–	–	–	–	165	–	165
Total transactions with owners	–	–	28	–	161	(15)	174
At 31 December 2020	146	120	(236)	50	718	6,278	7,076

Share capital is the nominal value of share capital subscribed for.

Share premium account represents the amount subscribed for share capital over and above the nominal value of the shares.

Capital redemption reserve is an amount of money that a company in the UK must keep when it buys back shares, and which it cannot pay to shareholders as dividends.

Own shares held are the cost of company's own shares held through the Employee Benefit Trust and shown as a deduction from equity.

Share based payment reserve is the cumulative share option charge under IFRS 2 less the value of any share options that have been exercised or have lapsed.

Retained earnings are all net gains and losses and transactions with owners (e.g., dividends) not recognised elsewhere.

The following notes 1 to 25 form an integral part of these financial statements.

Consolidated statement of financial position

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current			
Goodwill	11	**132**	132
Other intangible assets	12	**74**	149
Property, plant, and equipment	13	**1,554**	1,648
Right of use assets	22	**2,779**	2,993
Deferred tax asset	14	**40**	149
		4,579	5,071
Current			
Inventories	15	**21**	7
Trade and other receivables	16	**13,481**	13,404
Cash and cash equivalents	20	**946**	2,827
		14,448	16,238
Total assets		**19,027**	21,309
Liabilities			
Current			
Trade and other payables	17	**(6,430)**	(9,706)
Lease liabilities	22	**(294)**	(276)
Corporation tax		**–**	(218)
Current borrowings	17	**(2,828)**	(967)
		(9,552)	(11,167)
Non-current liabilities			
Lease liabilities	22	**(2,801)**	(2,944)
Deferred tax liabilities	18	**(128)**	(122)
Total liabilities		**(12,481)**	(14,233)
Net assets		**6,546**	7,076
Equity			
Share capital	19	**146**	146
Share premium		**120**	120
Own shares held		**(236)**	(236)
Capital redemption reserve		**50**	50
Share based payment reserve		**146**	718
Retained earnings		**6,320**	6,278
Total equity		**6,546**	7,076

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 March 2022 by:

A M Pendlebury   S L Dye

A M Pendlebury
Director

S L Dye
Director

The following notes 1 to 25 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		**114**	870
Adjustments for:			
Depreciation, loss on disposal and amortisation		**816**	763
Finance expense	8	**160**	183
Employee equity settled share options charge		**210**	165
Change in inventories		**(14)**	3
Change in trade and other receivables		**(77)**	2,405
Change in trade and other payables		**(3,271)**	1,213
Cash (outflow)/inflow from operations		**(2,062)**	5,602
Income tax paid		**(217)**	(284)
Interest paid		**(160)**	(183)
Net cash (outflow)/inflow from operating activities		**(2,439)**	5,135
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		**(279)**	(293)
Net cash outflow from investing activities		**(279)**	(293)
Cash flows from financing activities			
Movement on invoice discounting facility		**2,231**	(2,818)
Movement on perpetual bank overdrafts		**(370)**	215
Amounts paid to cancel share options		**(745)**	–
Payment of lease liabilities		**(279)**	(219)
Proceeds from exercise of share options		**–**	9
Net cash inflow/(outflow) from financing activities		**837**	(2,813)
Net (decrease)/increase in cash and cash equivalents	20	**(1,881)**	2,029
Cash and cash equivalents at beginning of period		**2,827**	798
Cash and cash equivalents at end of period	20	**946**	2,827

The following notes 1 to 25 form an integral part of these financial statements.

Notes to the Group financial statements

For the year ended 31 December 2021

1. Basis of preparation

The principal accounting policies applied in the preparation of the Group and Company financial statements are set out in note 3. These policies have been applied consistently to all the years presented, unless otherwise stated.

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The financial statements have been prepared under the historical cost convention, as modified by measurement of share-based payments at fair value at date of grant, and in accordance with UK adopted international accounting standards ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in note 2.

Going concern

The Group has made a pre-tax profit of £114,000 (2020: £870,000) from continuing operations and the directors have taken this into account when assessing the going concern basis of preparation.

To assess the continued applicability of the going concern basis of preparation, the directors have prepared trading and cash flow forecasts for the Group for a period of 15 months from the date of approval of the financial statements.

Given the ongoing COVID pandemic, the increases in inflation, the cost-of-living squeeze and potential impacts on the economy of the events in Ukraine, in addition to the established budgeting and forecasting processes, which considers a range of plausible events and circumstances, a reverse stress test has been undertaken. This which shows that, assuming a continuation of the current facilities, the Group has access to sufficient cash and facilities available to withstand a 30% reduction against the 2021 revenues without any significant restructuring or other cost reduction measures.

In assessing the risks related to the continued availability of the current facilities, the Board have taken into consideration the existing relationship with HSBC and the strength of the security provided, also taking into account the quality of the Group's customer base. Based on their enquiries, the Board have concluded that it remains appropriate to conclude that sufficient facilities will continue to remain available to the Group and that no material uncertainty exists.

The directors are satisfied that, taking account of the Group's net assets of £6,546,000 (2020: £7,076,000), its invoice finance facility, which is its core funding line and which is classed as evergreen in that it has no fixed expiry date, and the Group's trading and cash forecasts for 15 months from the date of approval of the financial statements, that it remains appropriate to prepare these financial statements on a going concern basis.

New accounting standards and interpretations

The Group has not adopted any new standards or interpretations in these financial statements. The Board does not expect any other standards issued, but not yet effective, to have a material impact on the Group.

Notes to the Group financial statements

For the year ended 31 December 2021

2. Critical accounting estimates and judgements

The Group makes certain judgements, estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

Temporary placements

Revenue from temporary placements is calculated by reference to hours worked and pay rates and is based on weekly timesheets submitted by operatives and there can be delays in the submission and approval of timesheets. An estimate is therefore made of the value of the liabilities in respect of timesheets that are yet to complete the submission and approval process and the associated revenue earned at 31 December 2021. Further details of the related contract assets are included in note 5.

Estimates and judgements

Lease liability and right of use assets

The weighted average incremental borrowing rate used to measure the lease liability at initial application was 3.35% (land and buildings) and 5% (motor vehicles). These rates have been reviewed and assessed as remaining appropriate for new leases entered into during the financial year being representative of current open market borrowing rates for each type of asset respectively.

The Group sometimes negotiates break clauses in its property leases. At 31 December 2021 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it is considered reasonably certain that the Group will not exercise its right to break any lease and there are no material break clauses.

Impairment of non-current assets

The carrying values of these assets are tested for impairment when there is an indication that the value of the assets might be impaired, either at an individual cash generating unit level (“CGU”) or, where assets cannot be allocated to individual CGU’s, for the Group as a whole.

When carrying out impairment tests, these are based upon risk adjusted future cashflow forecasts and these forecasts include management estimates for revenues which are informed by external market forecasts and experience. Direct costs to deliver and attributable overhead will also include management estimates based on recent experience and expected adjustments for management actions. In calculating the discount rate to be applied, management estimates are required in assessing the appropriate rate for the Group. The assessment of the discount rate and forecasting future cash flows are inherently judgemental and future events could have an adverse effect on these and results of future impairment assessments.

Notes to the Group financial statements

For the year ended 31 December 2021

3. Accounting policies

The principal accounting policies, which are identical to the policies applied in the previous year, are listed below:

3.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable as performance obligations are satisfied and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT, and other sales-related taxes. The Group, as principal, controls the specified service that is promised to the customer before it is transferred to them therefore revenue is recognised on a gross basis which corresponds to the consideration to which the entity expects to be entitled.

Performance obligations and timing of revenue recognition

Most of the Group’s revenue is derived from recruitment activities (permanent and temporary placements).

The Group has several arrangements or contracts with its customers under which services are provided. Permanent and temporary staff are provided both under the auspices of a “preferred supplier” and under framework agreements. Neither of these arrangements confer any minimum volume commitments, rather individual orders are placed as resources are required with both parties working to the terms set out within the preferred supplier or framework agreement.

Revenue is recognised when the benefit of the service has passed to the customer. Largely, there is no significant judgement involved in identifying the point at which the benefit is transferred, or the transaction price as explained below:

Revenue from permanent placements

Contractual obligations may vary from client to client, however, performance obligations arising from the placement of permanent candidates are satisfied and revenue is recognised at the time the candidate commences employment. The transaction price is agreed with the customer prior to the service being delivered and is fixed at that point. The incidence of clawbacks of revenue related to employees leaving employment are not significant and therefore no amounts are treated as variable consideration and deferred.

Revenue from temporary placements

Performance obligations are satisfied over time consistent with the delivery of the service, with the quantum of revenue generated only varying with the provision of the service. Customers are generally invoiced weekly with any amounts not invoiced at the end of the period recognised within contract assets, with the corresponding amounts due to contractors being included within accruals. The Group invoices customers based on the hours worked derived from approved timesheets. The transaction price is calculated by reference to hours worked and agreed pay rates for the skill level of the operative and the type of shift worked. There are no significant terms within customer contracts which give rise to variable revenues. The Group also considers the impact of longer-term contractual supply agreements in the determination of the transaction price and the satisfaction of performance obligations.

Other revenue

Performance obligations are satisfied as the service is provided and represent the sales value of conferencing facilities provided and rental income received from subletting areas of the Derby site. Rental income is recognised on a straight-line basis over the lease term. Revenue arising from bar and restaurant sales and from the provision of hotel accommodation and conferencing within the Group’s Derby site are recognised when the goods or services are provided, with any amounts received in advance being included within contract liabilities. Costs incurred in fulfilling contracts with customers are expensed as incurred.

3.1a Other operating income

Other operating income represents Government Grants in respect of the Coronavirus Job Retention Scheme (CJRS) and grant income and the Local Government Business Support Grant. The CJRS payments are made for the employment of staff and are recognised in the month they are received. Amounts paid to staff are recognised as staff wages as usual but the receipt from the Government is recognised as other operating income when the Group is entitled to the cash i.e., the wage expense and receipt from the Government are ‘grossed up’ and not ‘netted off’. The Local Government Business Support Grant was received and recognised in the year.

Notes to the Group financial statements

For the year ended 31 December 2021

3.2 Basis of consolidation

The Group financial statements consolidate the financial statements of RTC Group Plc and subsidiaries drawn up to 31 December each year.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. Subsidiaries are deconsolidated from the date on which control ceases.

The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the Parent Company and are based on consistent accounting policies.

3.3 Goodwill

Goodwill represents the excess of the fair value of the cost of a business acquisition over the Group's share of the fair value of the assets and liabilities acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

3.4 Own shares held

The Group has an Employee Benefit Trust (EBT). The EBT is considered an extension of the Group's activities and therefore the assets (except investments in the Group's shares) and liabilities are included in the consolidated accounts on a line-by-line basis. The cost of shares held by the EBT is presented as a separate debit reserve within equity entitled 'own shares held' and is carried at the amount paid to acquire the shares.

3.5 Intangible assets

Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group based on its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. A valuation exercise is undertaken to assess the fair value of intangible assets acquired in a business combination. Where the cost of intangible assets acquired as part of business combinations is not separately identifiable or does not represent the fair value, the valuation is undertaken based upon value in use which requires the use of a discount rate in order to calculate the present value of cash flows. The use of this method requires the estimation of future cash flows and the choice of a discount rate to calculate the present value of the cash flows.

The fair value is then amortised over the economic life of the asset as detailed below. Where an intangible asset might be separable, but only together with a related tangible or intangible asset and the individual fair values are not reliably measurable, the group of assets is recognised as a single asset separately from goodwill. Where the individual fair values of the complementary assets can be reliably measured, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Customer lists

The fair value of acquired customer lists is capitalised and, subject to impairment reviews, amortised over the estimated life of the customer list acquired. The amortisation is calculated to write off the fair value of the customer lists over their estimated lives on a straight-line basis. There are two more years left in the life of the customer list asset. An impairment review of customer lists is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

Software

Acquired software, inclusive of lifetime licenses, are capitalised based on the costs incurred to acquire and bring into use the specific software. Costs are amortised over the estimated useful lives of four to six years on a straight-line basis from the date of commissioning.

Notes to the Group financial statements

For the year ended 31 December 2021

3.6 Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to write off the cost, less residual value, of each asset over its estimated useful life as follows:

Short leasehold improvements	33.3% equally per annum or equally over the lease term
Fixtures and office equipment	10% – 33.3% per annum straight line
Motor vehicles	25% – 33.3% per annum straight line

Residual values and remaining useful economic lives are reviewed annually and adjusted if appropriate. Gains and losses on disposal are included in the profit or loss for the period.

Capital work in progress predominantly relates to assets under construction and not yet available for use and as such no depreciation is charged.

The accounting policy for right of use assets is set out alongside the accounting treatment for lease liabilities in note 3.9.

3.7 Impairment of assets

Goodwill, other intangible assets, right of use assets and property, plant and equipment are subject to impairment testing.

To assess impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units). As a result, some assets are tested individually for impairment, and some are tested at Cash-Generating Unit level ("CGUs") . Goodwill is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Individual intangible assets or CGUs that include goodwill with an indefinite useful life are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group assesses, at each statement of financial position date whether there is any indication that any of its assets have been impaired. If any indication exists, the asset's recoverable amount is estimated and compared to its carrying values.

An impairment loss is recognised for the amount by which the asset or CGUs carrying amount exceeds its recoverable amount. The recoverable is the higher of fair value, reflecting market conditions less cost to sell and value in use. Impairment losses recognised for CGUs to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU. Except for goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment losses are recognised in the statement of comprehensive income for the period.

3.8 Inventories

Inventories comprise of goods for resale (bar and restaurant stocks) and are stated at the lower of cost and net realisable value on a first-in-first-out basis.

3.9 Leases and Right of Use assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a lease is identified in a contract the Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant, and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Notes to the Group financial statements

For the year ended 31 December 2021

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option.

The Group presents right of use assets and lease liabilities separately in the statement of financial position. The Group has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.10 Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Income tax is charged or credited to profit or loss for the period unless it relates to items that are recognised in other comprehensive income, when the tax is also recognised in other comprehensive income, or to items recognised directly to equity, when the tax is also recognised directly in equity.

Where there are transactions and calculations for which the ultimate tax determination is uncertain the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

These tax liabilities are recognised when, despite the Group's belief that its tax return positions are supportable, the Group believes it is more likely than not that a taxation authority would not accept its filing position. In these cases, the Group records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience.

3.11 Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and investments in subsidiaries and where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profits will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either: the same taxable Group Company, or different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.12 Retirement benefit

Contributions to money purchase pension schemes are charged to the profit or loss for the period as they become payable in accordance with the rules of the scheme.

3.13 Share-based payments

The Group provides equity settled share-based payment schemes to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of the grant of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimates of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The effect of this is shown in note 7. Fair value is measured by use of a Black-Scholes model.

Notes to the Group financial statements

For the year ended 31 December 2021

3.14 Trade payables

Trade payables are initially recognised at fair value and subsequently as financial liabilities at amortised cost under the effective interest method. However, where the effect of discounting is not significant, they are carried at invoiced value. They are recognised on the trade date of the related transaction.

3.15 Trade receivables

Trade receivables and contract assets are recognised at amortised cost. However, where the effect of discounting is not significant, they are carried at invoiced value. They are recognised on the trade date of the related transactions. The Group has an invoice financing facility with full recourse. This is recognised as a financial liability secured over the trade receivables of the Group.

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed, having regard to the historical losses and the current and future performance of the counterparties. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables and contract assets.

For trade receivables and contract assets, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable or contract asset will not be collectable, the gross carrying value of the asset is written off against the associated provision.

3.16 Cash and cash equivalents

Cash in the statement of financial position comprises cash at bank. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash deposits with maturities of three months or less from inception, net of qualifying overdrafts. Qualifying overdrafts are those which are an integral part of the Group's cash management and are therefore included as cash and cash equivalents in the consolidated statement of cash flows. Overdrafts which represent core financing components are presented within financing in the consolidated statement of cash flows.

3.17 Borrowings

Interest bearing borrowings are initially recognised at fair value and subsequently stated at amortised cost under the effective interest method. Where borrowings are due on demand, they are carried at the amount expected to be required to settle them.

Financial liabilities

Where the Group has arrangements with financial institutions to provide advances secured on trade receivables. The Group considers the terms of the arrangements. Where the responsibility for collection of the receivables remains with the Group and the financial counterparty has full recourse these amounts are presented within current borrowings.

3.18 Foreign currencies

Transactions in foreign currencies are recorded in sterling using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into sterling using the rate of exchange ruling at that date and any gains or losses on translation are included in the profit or loss for the period.

3.19 Share capital and dividends

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments. Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders at the AGM. Dividends on shares classified as equity are accounted for as a deduction from equity.

Notes to the Group financial statements

For the year ended 31 December 2021

4. Segment reporting

The business is split into three operating segments, with recruitment being split by geographical area. This reflects the integrated approach to the Group's recruitment business in the UK and independent delivery of overseas business. Three operating segments have therefore been agreed, based on the geography of the business unit: United Kingdom, International and Central Services.

This is consistent with the reporting for management purposes, with the Group organised into two reportable segments, Recruitment and Central Services, which are strategic business units that offer different products and services. They are managed separately because each segment has a different purpose within the Group and requires different technologies and marketing strategies.

Segment operating profit is the profit earned by each operating segment defined above and is the measure reported to the Group's Board, the Group's Chief Operating Decision Maker, for performance management and resource allocation purposes. The Group manages the trading performance of each segment by monitoring operating contribution and centrally manages working capital, financing, and equity.

Revenues within the recruitment operating segment have similar economic characteristics and share a majority of the aggregation criteria set out in IFRS 8:12 in particular the nature of the products and services, the type or class of customers, the country in which the service is delivered, and the processes utilised to deliver the services and the regulatory environment for the services.

The purpose of the Central Services segment is to provide all central services for the Group including the Group's head office facilities in Derby. It also generates income from the Derby site including rental of excess space and hotel and conferencing facilities.

Revenue, gross profit, and operating profit delivery by geography:

	2021				2020			
	UK Recruitment £'000	**UK Central Services £'000**	**International Recruitment £'000**	**Total Group £'000**	UK Recruitment £'000	UK Central Services £'000	International Recruitment £'000	Total Group £'000
Revenue	**66,842**	**1,279**	**9,594**	**77,715**	64,521	713	16,122	81,356
Cost of sales	**(56,703)**	**(622)**	**(8,603)**	**(65,928)**	(56,129)	(567)	(14,421)	(71,117)
Gross profit	**10,139**	**657**	**991**	**11,787**	8,392	146	1,701	10,239
Other operating income	**213**	**138**	**–**	**351**	2,168	309	–	2,477
Administrative expenses	**(7,240)**	**(3,293)**	**(519)**	**(11,052)**	(6,883)	(3,211)	(809)	(10,903)
Amortisation of intangibles	**(100)**	**–**	**–**	**(100)**	(85)	–	–	(85)
Depreciation of right of use assets	**(129)**	**(239)**	**–**	**(368)**	(123)	(230)	–	(353)
Depreciation	**(175)**	**(165)**	**(4)**	**(344)**	(143)	(174)	(5)	(322)
Total administrative expenses	**(7,431)**	**(3,559)**	**(523)**	**(11,513)**	(5,066)	(3,306)	(814)	(9,186)
Profit from operations	**2,708**	**(2,902)**	**468**	**274**	3,326	(3,160)	887	1,053

Other operating income represents Government Grants in respect of the Coronavirus Job Retention Scheme and a Local Government Business Support Grant (none of which are required to be repaid).

Notes to the Group financial statements

For the year ended 31 December 2021

	2021 £'000	2020 £'000
Coronavirus Job Retention Scheme Grant relating to:		
– Contractors paid under PAYE	**192**	1,623
– Own staff	**131**	851
	323	2,474
Local Government Business Support Grant	**28**	3
	351	2,477

The wages costs associated with the Coronavirus Job Retention Scheme Grant are included in the financial statements as follows:

	2021 £'000	2020 £'000
Cost of sales	**286**	1,804
Administrative expenses	**37**	670
	323	2,474

The revenue reported above is generated from continuing operations with external customers. There were no sales between segments in the year (2020: Nil). For segment reporting purposes in this note, revenue is analysed by the geographical location in which the services are delivered. Revenue is further analysed by point of invoicing in note 5.

The accounting policies of the operating segments are the same as the Group's accounting policies described in notes 1 to 3 of this report. Segment profit represents the profit earned by each segment, without allocation of Group administration costs or finance costs.

During 2021, one customer in the UK segment contributed 10% or more of total revenue being £28.0m (2020: £27.3m) and one customer in the International segment also contributed 10% or more of total revenue being £9.1m (2020: £15.7m).

Recruitment revenues are generated from permanent and temporary recruitment and long-term agreements for labour supply. Within Central Services revenues are generated from the rental of excess space and hotel and conference facilities at the Derby site, described as Other below.

Revenue and gross profit by service classification for management purposes:

	Revenue		Gross profit	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Permanent placements	**2,098**	1,435	**2,098**	1,435
Temporary placements	**74,338**	79,208	**9,032**	8,658
Others	**1,279**	713	**657**	146
	77,715	81,356	**11,787**	10,239

All operations are continuing. All assets and liabilities are in the UK.

Notes to the Group financial statements

For the year ended 31 December 2021

5. Revenue from contracts with customers

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following tables which is intended to:

- depict how the nature, amount, timing, and uncertainty are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in note 4.

Whilst services in the International segment are delivered outside of the UK, the point of invoicing for the major customer in this segment is the UK.

	2021				2020			
	UK Recruitment £'000	**UK Central Services £'000**	**International recruitment £'000**	**Total £'000**	UK Recruitment £'000	UK Central Services £'000	International Recruitment £'000	Total £'000
Geographic point of invoicing:								
UK	**66,842**	**1,279**	**9,594**	**77,715**	64,521	713	16,122	81,356
Permanent placements	**2,098**	**–**	**–**	**2,098**	1,431	–	4	1,435
Temporary placements	**64,744**	**–**	**9,594**	**74,338**	63,090	–	16,118	79,208
Others	**–**	**1,279**	**–**	**1,279**	–	713	–	713
	66,842	**1,279**	**9,594**	**77,715**	64,521	713	16,122	81,356
Contract counterparties B2B	**66,842**	**1,279**	**9,594**	**77,715**	64,521	713	16,122	81,356
Timing of transfer of services:								
Point in time (start date for permanent placements)	**2,098**	**–**	**–**	**2,098**	1,431	–	4	1,435
Over time (with invoices raised periodically over the term of the contract placement)	**64,744**	**–**	**9,594**	**74,338**	63,090	–	16,118	79,208
Point in time (having provided the service)	**–**	**1,279**	**–**	**1,279**	–	713	–	713
	66,842	**1,279**	**9,594**	**77,715**	64,521	713	16,122	81,356

Notes to the Group financial statements

For the year ended 31 December 2021

Contract balances

	Contract assets 2021 £'000	Contract assets 2020 £'000	**Contract liabilities 2021 £'000**	Contract liabilities 2020 £'000
At 1 January	**2,226**	2,175	**(89)**	(80)
Transfers in the year from contract assets to trade receivables	**(2,226)**	(2,175)	**–**	–
Excess of revenue recognised over amounts invoiced (or rights to cash) being recognised during the year	**2,850**	2,226	**–**	–
Movement in amounts included in contract liabilities that were invoiced but not recognised as revenue during the year	**–**	–	**(30)**	(9)
At 31 December	**2,850**	2,226	**(119)**	(89)

Contract assets and contract liabilities are included within 'trade and other receivables' and 'trade and other payables' respectively on the face of the statement of financial position. They primarily arise from the Group's recruitment division and relate to temporary placements whereby performance obligations have been met but there is still some conditionality to be resolved. Invoices are usually raised in the week following the date of the statement of financial position.

Remaining performance obligations

The Group's contracts with customers are for the delivery of services within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies (i.e., remaining performance obligations are not required to be disclosed). In addition, services are principally supplied under framework or preferred supplier agreements such that the amount of future revenue cannot be quantified.

The nature of the Group's contracts with customers do not give rise to material judgements related to variable consideration or contract modifications.

6. Profit from operations

	2021 £'000	2020 £'000
Profit from operations for the year is stated after charging:		
Loss on asset disposals	**4**	3
Depreciation of owned property, plant, and equipment	**344**	322
Amortisation of intangibles	**100**	85
Depreciation of right of use assets	**368**	353
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**43**	31
Fees payable to the Company's auditor for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**32**	36
– tax compliance	**6**	6
– other non-audit services	**7**	7
Rental relating to short-term leases	**256**	230

Notes to the Group financial statements

For the year ended 31 December 2021

7. Directors' and employees' remuneration

The expense recognised for employee benefits (including directors) employed by the Group during the year is analysed below:

	2021 £'000	2020 £'000
Wages and salaries	**7,217**	7,140
Social security costs	**776**	740
Other pension costs	**421**	425
	8,414	8,305

As at 31 December 2021 there were pension contributions of £96,231 (2020: £71,516) outstanding.

The average number of employees, including executive directors, during the year was:

	2021 Number	2020 Number
Sales and administration staff	**144**	144
Conference support staff	**32**	44
	176	188

Directors' remuneration

The remuneration of the directors was as follows:

	2021				2020			
£'000	**Salary**	**Bonus**	**Benefits in kind**	**Total**	Salary	Bonus	Benefits in kind	Total
W J C Douie	**65**	**14**	**7**	**86**	65	30	6	101
A M Pendlebury	**280**	**148**	**11**	**439**	280	214	14	508
S L Dye	**194**	**118**	**20**	**332**	194	74	20	288
B W May	**11**	**–**	**–**	**11**	33	–	–	33
Total	**550**	**280**	**38**	**868**	572	318	40	930

Employers NI of £119,784 was paid in respect of remuneration above (2020: £128,340).

No pension contributions were paid on behalf of the directors.

Share based employee remuneration

Total share-based payment charges in the year were £210,000 (2020: £165,000) of which £196,489 (2020: £143,586) was charged in respect of options granted to directors. All share options that had not vested prior to the start of the year vested in 2021 and the share-based payment charges relating to those options were fully charged in the year.

Cash cancellation of share options

On 24 May 2021, the Group announced an offer to all employees with share options that had vested to cancel their options for a one-off cash consideration of 46.5p per option share, being the mid-market closing price on 21 May 2021, the last business day prior to the announcement. As a result, 1,603,008 options were cancelled, and the cash consideration was paid to the relevant employees as remuneration through the PAYE system. The total of the remuneration payments made was £745,399 with employers NI of £102,865. Included within these totals, the number of options cash cancelled in respect of directors was 1,543,008 and the remuneration payments made to directors was £717,499 with employers NI of £99,014 being paid.

Notes to the Group financial statements

For the year ended 31 December 2021

Share options and the weighted average exercise price are as follows for the reporting periods presented:

	Number	**Weighted average exercise price (pence) 2021**	Number	Weighted average exercise price (pence) 2020
Outstanding at start of year	**2,096,605**	**5**	2,136,605	5
Cash cancelled	**1,603,008**	**–**	–	–
Exercised	**–**	**–**	40,000	22
Outstanding at end of year	**493,597**	**18**	2,096,605	5

The Company operates two share option plans: the EMI 2001 Share Option Scheme and the Long-Term Incentive Plan 2015 ("LTIP"). No options were exercised during the year (2020: 40,000). No options were issued during the year (2020: Nil).

The Group has the following outstanding share options and exercise prices:

Date exercisable (from and to)	**Number**	**Weighted average exercise price (pence) 2021**	**Weighted average fair value at date of grant (pence) 2021**	**Weighted average contractual life (months) 2021**	Number	Weighted average exercise price (pence) 2020	Weighted average fair value at date of grant (pence) 2020	Weighted average contractual life (months) 2020
2017 to 2024	**220,000**	**29**	**6**	**27**	220,000	29	6	39
2018 to 2025	**29,982**	**–**	**53**	**41**	281,412	–	53	53
2019 to 2026	**50,000**	**–**	**60**	**51**	402,500	–	60	63
2020 to 2027	**28,571**	**–**	**42**	**63**	284,286	–	44	76
2021 to 2028	**165,044**	**16**	**43**	**77**	908,407	3	44	87

The exercise prices of options range from nil to 25.5p, 38.0p and 52.5p. At the end of the period all 493,597 options remaining were exercisable (2020: 1,188,198).

Notes to the Group financial statements

For the year ended 31 December 2021

Details of the options of the directors who served during the year are as follows:

	At 1 January 2021	Granted	Cash cancelled	**At 31 December 2021**	Date of last grant	Exercise price
EMI Options						
S L Dye	110,000	–	(40,000)	**70,000**	6 June 2014	38p
LTIP Options						
W J C Douie	193,615	–	–	**193,615**	23 March 2018	Nil
A M Pendlebury	933,749	–	(933,749)	**–**	–	–
S L Dye	569,259	–	(569,259)	**–**	–	–

The market value and number of directors' share options vesting in the period was £485,000 (858,407 shares) (2020: £123,000 (234,286 shares)). The aggregate gains made by directors on exercising share options was £Nil (2020: £Nil). The market value and number of the highest paid directors' share options vesting in the period was £301,876 (460,177 shares) (2020: £63,000 (120,000 shares)). The aggregate gains made by the highest paid director on exercising share options was £Nil (2020: £Nil).

Details of the options of the directors who served during the prior financial year are as follows:

	At 1 January 2020	Granted	Exercised	At 31 December 2020	Date of last grant	Exercise price
EMI Options						
S L Dye	110,000	–	–	110,000	22 May 2015	Nil
LTIP Options						
W J C Douie	193,615	–	–	193,615	23 Mar 2018	Nil
A M Pendlebury	933,749	–	–	933,749	23 Mar 2018	Nil
S L Dye	569,259	–	–	569,259	23 Mar 2018	Nil

Awards under EMI 2001 Share Option Scheme

The options currently granted under the EMI Scheme vest on a straight-line basis over a three-year period, the ability to exercise certain options is subject to non-market related performance criteria.

Awards under the LTIP

There were no awards under the LTIP in 2021. Vesting of the awards is subject to the achievement of the performance criteria of the LTIP. Awards will vest and may be exercised on the third anniversary of the date of grant to the extent that the performance conditions detailed in the following table are met:

Annual growth in fully diluted EPS above RPI	Proportion of award vesting
Less than 3%	Nil
3%	25%
Between 3% and 10%	Between 25% and 100% on a straight-line basis
10% or more	100%

The achievement of the performance target and the timing of the vesting of the award will be determined by the Remuneration Committee. They may adjust the performance target where it is considered appropriate to do so.

Notes to the Group financial statements

For the year ended 31 December 2021

8. Finance expense

	2021 £'000	2020 £'000
Interest charge on invoice discounting arrangements and overdrafts	**48**	53
Interest expense on lease liabilities	**112**	130
	160	183

9. Tax expense

Continuing operations	2021 £'000	2020 £'000
Current tax		
UK corporation tax	**(6)**	218
Adjustments in respect of previous periods	**–**	(12)
	(6)	206
Deferred tax		
Origination and reversal of temporary differences	**115**	(2)
Tax	**109**	204

Factors affecting the tax expense

The tax assessed for the year is higher than (2020: higher than) would be expected by multiplying the profit by the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

Factors affecting tax expense	2021 £'000	2020 £'000
Result for the year before tax	**114**	870
Profit multiplied by standard rate of tax of 19% (2020: 19%)	**22**	165
Non-deductible expenses	**68**	48
Tax charge/(credit) on exercise of options	**28**	(5)
Effect of change in deferred tax rate	**(9)**	8
Adjustment in respect of previous periods	**–**	(12)
	109	204

The Chancellor has confirmed an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023. As a result of this deferred tax has been remeasured to the extent that it will unwind after this date.

Notes to the Group financial statements

For the year ended 31 December 2021

10. Basic and fully diluted earnings per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of the fully diluted earnings per share is based on the basic earnings per share adjusted to allow for dilutive potential ordinary shares.

	Basic		Fully diluted	
	2021	2020	**2021**	2020
Earnings £'000	**5**	666	**5**	666
Basic weighted average number of shares	**14,266,680**	14,299,995	**14,266,680**	14,299,995
Dilutive effect of share options	**–**	–	**303,537**	1,840,513
Fully diluted weighted average number of shares	**–**	–	**14,570,217**	16,140,508
Earnings per share (pence)	**0.04p**	4.66p	**0.03p**	4.13p

Further details of share options can be found in note 7.

11. Goodwill

Gross carrying amount	**2021 £'000**	2020 £'000
At 1 January	**132**	132
At 31 December	**132**	132

Goodwill above relates to the following acquisition:

	Date of acquisition	Original cost £'000
RIG Energy Limited	28 November 2014	891

The directors have considered the carrying value of the goodwill and the related cash generating unit to which it belongs by looking at discounted future cash flows using a pre-tax discount rate of 10.6%. This has confirmed that no impairments are required.

Notes to the Group financial statements

For the year ended 31 December 2021

12. Other intangible assets

The Group's other intangible assets comprise:

- the customer lists obtained through the acquisition of RIG Energy Limited in 2014; and
- software and licences relating to recruitment business systems.

The carrying amounts for the financial year under review can be analysed as follows:

Gross carrying amount	Customer lists £'000	Software and licences £'000	**Total £'000**
At 1 January 2021	673	323	**996**
Additions	–	25	**25**
At 31 December 2021	673	348	**1,021**
Amortisation			
At 1 January 2021	591	256	**847**
Provided in year	27	73	**100**
At 31 December 2021	618	329	**947**
Net book amount at 31 December 2021	55	19	**74**
Net book amount at 31 December 2020	82	67	149

The carrying amounts for the prior period are as follows:

Gross carrying amount	Customer lists £'000	Software and licences £'000	Total £'000
At 1 January 2020	673	323	996
At 31 December 2020	673	323	996
Amortisation			
At 1 January 2020	564	198	762
Provided in year	27	58	85
At 31 December 2020	591	256	847
Net book amount at 31 December 2020	82	67	149
Net book amount at 31 December 2019	109	125	234

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13. Property, plant, and equipment

The carrying amounts for the financial year under review can be analysed as follows:

	Short leasehold improvements £'000	Fixtures and office equipment £'000	Motor vehicles £'000	Capital work-in-progress £'000	**Total £'000**
Cost					
At 1 January 2021	1,564	2,157	8	61	**3,790**
Additions	–	223	–	31	**254**
Transfers from capital work in progress	–	31	–	(31)	**–**
Disposals	–	(32)	–	–	**(32)**
At 31 December 2021	1,564	2,379	8	61	**4,012**
Depreciation					
At 1 January 2021	815	1,319	8	–	**2,142**
Charge for the year	112	232	–	–	**344**
Disposals	–	(28)	–	–	**(28)**
At 31 December 2021	927	1,523	8	–	**2,458**
Net book amount:					
At 31 December 2021	637	856	–	61	**1,554**
At 31 December 2020	749	838	–	61	1,648

The carrying amounts for the prior period are as follows:

	Short leasehold improvements £'000	Fixtures and office equipment £'000	Motor vehicles £'000	Capital work-in-progress £'000	Total £'000
Cost					
At 1 January 2020	1,564	1,894	8	61	3,527
Additions	–	293	–	–	293
Disposals	–	(30)	–	–	(30)
At 31 December 2020	1,564	2,157	8	61	3,790
Depreciation					
At 1 January 2020	693	1,148	6	–	1,847
Charge for the year	122	198	2	–	322
Disposals	–	(27)	–	–	(27)
At 31 December 2020	815	1,319	8	–	2,142
Net book amount:					
At 31 December 2020	749	838	–	61	1,648
At 31 December 2019	871	746	2	61	1,680

There is a charge over Group's fixed assets in respect of the Group's net overdraft facility.

There were no contractual capital commitments for the acquisition of property, plant, and equipment at 31 December 2021 (2020: Nil).

Taking the Group as a whole, there are no reasonably foreseeable changes in the forecast future trading performance or pre-tax discount rate of 10.6% that would result in the value in use being less than the recoverable amount of the group's aggregate goodwill, other intangible assets, property plant and equipment and right of use assets. In considering the level of available headroom, the model demonstrates that no impairment would be triggered even if the Group's aggregate forecast trading cash flows fell to 30% of the level achieved in 2021, with no recovery assumed for the full five-year forecast period and into perpetuity.

Notes to the Group financial statements

For the year ended 31 December 2021

14. Deferred tax asset

	2021 £'000	2020 £'000
At 1 January	**149**	95
(Charge)/Credit to the profit for the year	**(109)**	54
At 31 December	**40**	149

The deferred tax asset is analysed as:

Recognised	2021 £'000	2020 £'000
Short-term temporary timing differences relating to share-based payments	**40**	149

With the rate of corporation tax increasing from 19% to 25% in April 2023, the deferred tax has been based on the extent to which it will unwind pre and post this date using the appropriate rate.

15. Inventories

	2021 £'000	2020 £'000
Food, drink, and goods for resale	**21**	7

Stock recognised in cost of sales during the year as an expense was £104,873 (2020: £59,579).

16. Trade and other receivables

Trade and other receivables falling due within one year are as follows:

	2021 £'000	2020 £'000
Gross trade receivables	**9,533**	9,916
Less: provision for impairment of trade receivables	**–**	–
Net trade receivables	**9,533**	9,916
Contract assets	**2,850**	2,226
Sub-total trade receivables and contract assets	**12,383**	12,142
Other receivables	**57**	100
Total financial assets other than cash and cash equivalents classified at amortised cost	**12,440**	12,242
Prepayments	**1,041**	1,162
	13,481	13,404

There was no impairment allowance for trade receivables at 31 December 2021 or 31 December 2020.

No other classes of financial assets contain any impaired assets. The Group does not hold any collateral in respect of the above balances. They relate to customers with no default history. The value of trade receivables and contract assets which are carried at amortised cost, approximates fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information affecting the Group's customers.

At 31 December 2021 and 31 December 2020, the lifetime expected credit loss provision for trade receivables and contract assets was considered immaterial and therefore not provided.

Notes to the Group financial statements

For the year ended 31 December 2021

17. Current liabilities

Trade and other payables	**2021 £'000**	2020 £'000
Trade payables	**1,267**	2,073
Contract liabilities	**119**	89
Other taxes and social security costs	**2,025**	4,205
Other payables	**1,212**	1,138
Accruals	**1,807**	2,201
	6,430	9,706

At 31 December 2021 other payables included pension contributions amounting to £96,231 (2020: 71,516). The maturity of trade payables is between one and three months. The carrying value of trade payables approximates to the fair value. The classification of contract liabilities at 31 December 2021 has been represented as explained in note 5.

Current borrowings	**2021 £'000**	2020 £'000
Bank overdrafts	**597**	967
Invoice discounting arrangements	**2,231**	–
	2,828	967

The Group's bank overdrafts are secured by cross guarantees and debentures (fixed and floating charges over the assets of all the Group companies). The Group's bankers have a formal right of set-off and provides a net overdraft facility across the Group of £50,000 (2020: £50,000).

The Group also uses its invoice financing facility, which is secured over the Group's trade receivables of £9.5m. There have been no defaults of interest payable or unauthorised breaches of financing agreement terms during the current or prior year.

18. Deferred tax liabilities

	2021 £'000	2020 £'000
At 1 January	**122**	70
Charge to the profit for the year	**6**	52
At 31 December	**128**	122
The deferred tax liability consists of:		
Other timing differences	**119**	108
Business combinations	**9**	14

With the rate of corporation tax increasing from 19% to 25% in April 2023, the deferred tax has been based on the extent to which it will unwind pre and post this date using the appropriate rate.

Notes to the Group financial statements

For the year ended 31 December 2021

19. Share capital

Allotted, issued, and fully paid – ordinary shares of 1p each:	**2021 £'000**	2020 £'000
As at 1 January 2021 14,643,707 shares (2020: 14,643,707 shares)	**146**	146
As at 31 December 2021 14,643,707 shares (2020: 14,643,707 shares)	**146**	146

Of the total issued shares of 14,643,707, there are 337,027 (2020: 337,027) own shares held in the RTC Group Employee Benefit Trust. No options were exercised during the year (2020: 40,000 and own shares held in the EBT were used to satisfy this demand).

20. Reconciliation of cash and cash equivalents in cash flow to cash balances in the statement of financial position

	At 1 January 2021 £'000	**Cash Flows £'000**	**At 31 December 2021 £'000**
Cash and cash equivalents	**2,827**	**(1,881)**	**946**

The amounts presented as cash and cash equivalents within the consolidated statement of cash flows comprise cash and cash equivalents of £946,000 (2020: £2,827,000). Overdrafts of £597,000 (2020: £967,000), which do not fluctuate significantly, are considered to represent part of the core financing structure of the group and are included within financing cash flows.

21. Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's risk management is coordinated by the Group Treasury function, in close co-operation with the Board. Treasury activities take place under procedures and policies approved and monitored by the Board and are designed to minimise the financial risks faced by the Group. The Group does not actively engage in the trading of financial assets for speculative purposes or utilise any derivative financial instruments. The most significant financial risks to which the Group is exposed are described below.

Interest rate risk

The Group has financed its operations through a mixture of retained profits and bank borrowings and has sourced its main borrowings through a variable rate Group overdraft facility and an invoice discounting facility. Competitive interest rates are negotiated. The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/- one percentage point with effect from the beginning of the year.

	2021 £'000	**2021 %**	2020 £'000	2020 %
Increase /(decrease) in net result and equity	**+1%**	**–1%**	+1%	–1%
£'000	**66**	**(66)**	71	(71)

The interest rate on the invoice discounting facility is 1.6% above base rate. The average usage of the facility across the year was £1,860,819, this gives an estimated annual interest charge for 2022 of £41,868

Liquidity risk

The Group seeks to mitigate liquidity risk by effective cash management. The Group's policy, throughout the year, has been to ensure the continuity of funding through net overdraft facility of £50,000 and an invoicing discounting facility, providing up to £12m based on a percentage of good book debts. The invoice discounting facility revolves on an average maturity of 120 days and is repayable on the giving of 3 months' notice by either party.

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Credit risk

The Group extends credit to recognised creditworthy third parties. Trade receivable balances (note 17) are monitored to minimise the Group's exposure to bad debts. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. Independent credit ratings are used if available to set suitable credit limits. If there is no independent rating, the Board assesses the credit quality of the customer, considering its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. At the year-end none of the trade receivable balances that were not past due exceeded set credit limits and management does not expect any losses from non-performance by these counterparties. Further, the Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing.

It should be noted that there is a concentration of credit in respect of two customers whose revenues respectively make up 42% of the UK division and 96% of the International division. Debtor balances for these customers were £3.3m (2020: £2.4m) and £0.5m (2020: £0.5m) respectively at the end of the year. Both are blue chip clients that have never defaulted on any debts. Further the UK division customer is Government backed.

As at 31 December 2021	Current	Past due 30 days or more	Past due 60 days or more	Past due 120 days or more
Gross carrying amount, £'000	**5,478**	**1,755**	**661**	**1,639**

Foreign exchange risk

The Group is exposed to foreign exchange rate risk as it makes payments to contractors and invoices some customers in currencies other than GBP. To mitigate the risks associated with this, where possible the same currency is used to receive and make payments so that there is some natural hedge over translation risk. Surplus cash balances in currencies other than GBP are kept to a minimum. Consequently, any sensitivity to be applied to the foreign exchange rate exposure is low.

The Group has the financial assets as set out in notes 16 and 21. The Group's financial liabilities are as follows:

	2021 £'000	2020 £'000
Trade payables	**1,267**	2,073
Accruals	**1,368**	2,201
Bank overdrafts	**597**	967
Invoice discounting	**2,231**	–
	5,463	5,241

All the Group's financial liabilities mature in less than one year. The Group's financial assets and liabilities are carried at amortised cost (which equates to fair value). Under the "SPPI" test these meet the requirement of being solely payments of principal and interest. Further because of their nature they do not include a significant financing element. In addition to meeting the SPPI test the business model is to collect the contractual cash flows.

Notes to the Group financial statements

For the year ended 31 December 2021

22. Leases and right of use assets

Information about leases for which the Group is a lessee

The Group leases assets comprising land and buildings and motor vehicles that are shown as right of use assets on the statement of financial position.

Right of use assets

Carrying amounts of right of use assets for the financial year under review:

Net book value of right of use assets	Land and buildings £'000	Motor vehicles £'000	**Total £'000**
As at 1 January 2021	2,705	288	**2,993**
Additions	132	22	**154**
Disposal	(15)	(4)	**(19)**
Depreciation on disposals	15	4	**19**
Depreciation charge	(255)	(113)	**(368)**
As at 31 December 2021	2,582	197	**2,779**

The Board have considered the cash generating unit that is most sensitive to a potential impairment, being the Derby Conference Centre (which sits within Central Services) and concluded that there is no impairment of the carrying value of assets.

Carrying amounts of right of use assets for the prior financial year:

Net book value of right of use assets	Land and buildings £'000	Motor vehicles £'000	Total £'000
As at 1 January 2020	2,983	61	3,044
Additions	5	297	302
Disposal	(43)	(38)	(81)
Depreciation on disposals	43	38	81
Depreciation charge	(283)	(70)	(353)
As at 31 December 2020	2,705	288	2,993

Lease liabilities

Carrying amounts of lease liabilities relating to right of use assets for the financial year under review:

Net book value of lease liabilities	Land and buildings £'000	Motor vehicles £'000	**Total £'000**
As at 1 January 2021	2,922	298	**3,220**
Additions	132	22	**154**
Interest expense	95	17	**112**
Lease payments	(253)	(138)	**(391)**
As at 31 December 2021	2,896	199	**3,095**

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Carrying amounts of lease liabilities relating to right of use assets for the prior financial year:

Net book value of lease liabilities	Land and buildings £'000	Motor vehicles £'000	Total £'000
As at 1 January 2020	3,086	51	3,137
Additions	5	297	302
Interest expense	112	18	130
Lease payments	(281)	(68)	(349)
As at 31 December 2020	2,922	298	3,220

Lease liabilities included in the statement of financial position	**2021 £'000**	2020 £'000
Current	**294**	276
Non-current	**2,801**	2,944
Total	**3,095**	3,220

Amounts recognised in the consolidated statement of comprehensive income	**2021 £'000**	2020 £'000
Interest on lease liabilities	**112**	130
Expenses relating to short-term leases	**256**	230
Total	**368**	360

Maturity analysis – contractual undiscounted cashflows	**2021 £'000**	2020 £'000
Within 1 year	**393**	393
Between 2 and 5 years	**1,317**	1,324
Over 5 years	**1,917**	2,167
Total	**3,627**	3,884

Amounts recognised in the consolidated statement of cash flows	**2021 £'000**	2020 £'000
Interest payments	**112**	130
Payment of lease liabilities	**279**	219
Total cash outflow for leases	**391**	349

Notes to the Group financial statements

For the year ended 31 December 2021

Sensitivity

It is customary for land and buildings lease contracts to be periodically uplifted to market value, although some leases have future increases fixed at the outset. Contracts for the lease of a vehicle comprise only fixed payments over the lease term. All land and building lease contracts held by the Group also have fixed payments. The leasing arrangements are for the Derby Conference Centre and office space for the Group Head Office in Derby and a network of regional offices.

Information about leases for which the Group is the lessor

As at the balance sheet date the following amounts are expected to be received under non-cancellable operating sub-leases, split as follows:

	2021 £'000	2020 £'000
Within 1 year	**263**	202
Between 2 and 5 years	**347**	230
Total	**610**	432

The sub-lease arrangements relate to two buildings on the Derby site.

23. Related party transactions

There were no amounts owed by or to related parties at 31 December 2021 (31 December 2020: £Nil). There were no transactions with related parties during 2021 (2020: £Nil). The directors consider the key management personnel are the Group directors as listed in note 7.

24. Capital management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and employees; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group uses its overdraft and invoice discounting facilities to manage its short-term working capital requirements. The Group manages the capital structure and ratio of debt to equity and adjusts it in the light of changes in economic conditions.

25. Post reporting date events

There have been no significant events to report since the reporting date.

RTC Group Plc

Company statutory financial statements

For the year ended 31 December 2021
(Prepared under FRS 101)

Company Number 02558971

Company statement of financial position

As at 31 December 2021

Company Number: 02558971

	Notes	**2021 £'000**	2020 £'000
Assets			
Non-current			
Right of use assets	30	**56**	102
Investments	31	**937**	937
Deferred tax asset	33	**40**	149
		1,033	1,188
Current			
Trade and other receivables	32	**5,872**	7,598
Cash and cash equivalents		**511**	959
		6,383	8,557
Total assets		**7,416**	9,745
Liabilities			
Current			
Trade and other payables	34	**(939)**	(2,795)
Lease liabilities	30	**(37)**	(46)
Corporation tax		**37**	(54)
		(939)	(2,895)
Non-current			
Lease liabilities	30	**(21)**	(57)
Net assets		**6,456**	6,793
Equity			
Share capital	36	**146**	146
Share premium		**120**	120
Own shares held		**(236)**	(236)
Capital redemption reserve		**50**	50
Share based payment reserve		**146**	718
Retained earnings		**6,230**	5,995
Total equity		**6,456**	6,793

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit after taxation for the year amounted to £198,000 (2020: £1,457,000).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 March 2022 by:

A M Pendlebury

A M Pendlebury
Director

S L Dye

S L Dye
Director

The following notes 26 to 38 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	**146**	**120**	**(236)**	**50**	**718**	**5,995**	**6,793**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**198**	**198**
Transactions with owners:							
Share options cancelled	**–**	**–**	**–**	**–**	**(782)**	**37**	**(745)**
Share based payment charge	**–**	**–**	**–**	**–**	**210**	**–**	**210**
Total transactions with owners	**–**	**–**	**–**	**–**	**(572)**	**37**	**(535)**
At 31 December 2021	**146**	**120**	**(236)**	**50**	**146**	**6,230**	**6,456**

The carrying amounts for the prior financial period were as follows:

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	146	120	(264)	50	557	4,553	5,162
Total comprehensive income for the year	–	–	–	–	–	1,457	1,457
Transactions with owners:							
Share options exercised	–	–	28	–	(4)	(15)	9
Share based payment charge	–	–	–	–	165	–	165
Total transactions with owners	–	–	28	–	161	(15)	174
At 31 December 2020	146	120	(236)	50	718	5,995	6,793

Share capital is the nominal value of share capital subscribed for.

Share premium account represents the amount subscribed for share capital over and above the nominal value of the shares.

Own shares held are the cost of company's own shares held through the Employee Benefit Trust and shown as a deduction from equity.

Capital redemption reserve is an amount of money that a company in the UK must keep when it buys back shares, and which it cannot pay to shareholders as dividends.

Share based payment reserve is the cumulative share option charge under IFRS 2 less the value of any share options that have been exercised or have lapsed.

Retained earnings are all net gains and losses and transactions with owners (e.g., dividends) not recognised elsewhere.

The following notes 26 to 38 form an integral part of these financial statements.

Notes to the Company financial statements

For the year ended 31 December 2021

26. Accounting policies

RTC Group Plc ("the Company") was incorporated and is domiciled in England, the United Kingdom. Its registered office and principal place of business is The Derby Conference Centre, London Road, Derby, DE24 8UX and its registered number 02558971. The principal activity of RTC Group Plc is that of a holding Company.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented.

The financial statements have been prepared on a historical cost basis as modified by measurement of share-based payments at fair value at date of grant. The presentation currency used is sterling and amounts have been presented in round thousands ("£000s").

Disclosure exemptions adopted:

In preparing these financial statements the Company has taken advantage of all available disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- certain disclosures in respect of share-based payments; financial instruments and impairment of assets;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the RTC Group Plc group of companies.

New accounting standards and interpretations

The Company has not adopted any new standards or interpretations in these financial statements. The Board does not expect any other standards issued, but not yet effective, to have a material impact on the Company.

27. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

Intercompany balances

The recoverability of intercompany balances is a key estimate. All intercompany balances are assessed as recoverable. Intercompany balances consist predominantly of the parent company management charges which are cleared down in each financial year as all relevant Group companies generate surplus cash.

Notes to the Company financial statements

For the year ended 31 December 2021

28 Accounting policies

The financial statements contain information about RTC Group Plc as an individual company and do not contain consolidated financial information as the parent of a group.

28.1 Investments

Shares in subsidiary companies are stated at cost less provision for any impairment in value.

28.2 Taxation

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Income tax is charged or credited to profit or loss for the period unless it relates to items that are recognised in other comprehensive income, when the tax is also recognised in other comprehensive income, or to items recognised directly to equity, when the tax is also recognised directly in equity.

Where there are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

These tax liabilities are recognised when, despite the Company's belief that its tax return positions are supportable, the Company believes it is more likely than not that a taxation authority would not accept its filing position. In these cases, the Company records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The Company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and investments in subsidiaries and where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profits will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

28.3 Pension costs

Contributions to money purchase pension schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

28.4 Trade and other payables

Trade payables are initially recognised at fair value and subsequently as financial liabilities at amortised cost under the effective interest method. However, where the effect of discounting is not significant, they are carried at invoiced value. They are recognised on the trade date of the related transaction.

28.5 Trade and other receivables

There are no trade receivables in 2021 (2020: Nil). Amounts owed by Group companies are assessed for impairment based upon the current financial position and expected future performance of the subsidiary to which they relate.

Notes to the Company financial statements

For the year ended 31 December 2021

28.6 Cash and cash equivalents

Cash in the statement of financial position comprises cash at bank, cash and cash equivalents consist of cash deposits with maturities of three months or less from inception.

28.7 Inter Group treasury facilities

Interest bearing inter Group treasury facilities are initially recognised at fair value and subsequently stated at amortised cost under the effective interest method. Where facilities are due on demand then they are carried at the amounts expected to be required to settle them.

28.8 Financial instruments

The only financial instruments held by the Company are Sterling financial assets and liabilities.

Financial liabilities consist of trade and other payables and an inter Group treasury facility which is secured by a cross guarantee and debenture (fixed and floating charge over all assets) over all Group companies and are classified as financial liabilities at amortised cost.

Other than lease liabilities for motor vehicles (refer to notes 28.12 and 30), all the Company's financial liabilities mature in less than one year and are repayable on demand.

28.9 Shared-based payments

The Company issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of the grant of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimates of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The effect of this is shown in note 7. Fair value is measured by use of a Black-Scholes model.

28.10 Share capital and dividends

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments. Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders at the AGM. Dividends on shares classified as equity are accounted for as a deduction from equity.

28.11 Own shares held

In 2015 the Company set up an Employee Benefit Trust (EBT). The EBT is considered an extension of the Company's activities and therefore the assets (except for the investment in the Company's shares) and liabilities which are the subject of the trust are included in the accounts on a line-by-line basis. The cost of shares held by the EBT is presented as a separate debit reserve within equity entitled 'own shares held'.

28.12 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a lease is identified the Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Notes to the Company financial statements

For the year ended 31 December 2021

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant, and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

The Company presents right of use assets and lease liabilities separately in the statement of financial position. The Company has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

28.13 Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to write off the cost, less residual value, of each asset over its estimated useful life as follows:

Motor vehicles 25%-33.3% per annum straight line

Residual values and remaining useful economic lives are reviewed annually and adjusted if appropriate. Gains and losses on disposal are included in the profit or loss for the period. The accounting policy for right of use assets is set out alongside the accounting treatment for lease liabilities in note 28.12.

29. Staff costs

	2021 £'000	2020 £'000
Wages and salaries	**1,658**	1,742
Social security costs	**192**	198
Other pension costs	**89**	91
	1,939	2,031

The average number of employees, including executive directors, during the year was:

	Number 2021	Number 2020
Sales and administration staff	**28**	28

Notes to the Company financial statements

For the year ended 31 December 2021

30. Leases and right of use assets

Information about leases for which the Group is a lessee

The Company leases motor vehicles that are presented within right of use assets and lease liabilities in the statement of financial position.

Net book value of right of use assets – motor vehicles	2021 £'000	2020 £'000
As at 1 January	**102**	37
Additions	**–**	101
Disposals	**–**	(17)
Depreciation on disposals	**–**	17
Depreciation charge	**(46)**	(36)
As at 31 December	**56**	102

Net book value of lease liabilities – motor vehicles	2021 £'000	2020 £'000
As at 1 January	**103**	30
Additions	**–**	101
Interest expense	**7**	6
Lease payments	**(52)**	(34)
As at 31 December	**58**	103

Lease liabilities for motor vehicles in the statement of financial position	2021 £'000	2020 £'000
Current	**37**	46
Non-current	**21**	57
Total	**58**	103

31. Investments

Shares in subsidiary undertakings - Company	2021 £'000	2020 £'000
Cost at 1 January	**937**	937
Cost at 31 December	**937**	937
Net book value at 31 December	**937**	937

Notes to the Company financial statements

For the year ended 31 December 2021

Having regard to the assessments undertaken for the group and DCC CGU, the directors are satisfied that no impairments are required in respect of the carrying value of the investments in subsidiaries.

At 31 December 2021, the Company held the share capital of the following subsidiary undertakings:

Subsidiaries	Proportion of ordinary share capital held	Nature of business
The Derby Conference Centre Limited	100%	Hotel, conferencing, and provision of office space
Ganymede Solutions Limited	100%	Recruitment
ATA Global Staffing Solutions Limited	100%	Recruitment
ATA Global Staffing Solutions FZE	100%	Recruitment
ATA Recruitment Limited	100%	Dormant

Except for ATA Global Staffing Solutions FZE whose registered office is Sheik Rashid Tower, Dubai, UAE. The registered office of all the above subsidiaries is: The Derby Conference Centre, London Road, Derby DE24 8UX and they are incorporated in England and Wales.

For the purposes of The Derby Conference Centre Limited and ATA Global Staffing Solutions Limited the Group has decided to take advantage of parental corporate guarantees under s479A of the Companies Act, allowing the entities to take audit exemptions and present unaudited statutory financial statements.

32. Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	**5,726**	7,386
Prepayments	**146**	212
	5,872	7,598

Amounts owed by Group undertakings are due on demand and interest free. They relate to management charges that are settled regularly. The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for intercompany balances. The expected loss rates are based on the company's historical credit losses experienced over the three-year period prior to the period end. There have been no credit losses incurred against intercompany balances in previous years. Further, there are no financial liquidity issues within subsidiaries thus management considers this amount is recoverable.

The carrying value of trade receivables approximates to the fair value.

33. Deferred tax asset

	2021 £'000	2020 £'000
At 1 January	**149**	94
Charge to the profit for the year	**(109)**	55
At 31 December	**40**	149

The deferred tax asset is analysed as:

Recognised	**2021 £'000**	2020 £'000
Short-term temporary differences	**40**	149

With the rate of corporation tax increasing from 19% to 25% in April 2023, the deferred tax has been based on the extent to which it will unwind pre and post this date using the appropriate rate.

Notes to the Company financial statements

For the year ended 31 December 2021

34. Trade and other payables

	2021 £'000	2020 £'000
Trade creditors	**561**	621
Other taxes and social security costs	**241**	1,612
Other creditors	**78**	69
Accruals	**59**	493
	939	2,795

The carrying value of trade payables approximates to the fair value.

During the year, the Company has used its inter Group treasury facility which is secured by a cross guarantee and debenture (fixed and floating charge over all assets) over all Group companies.

35. Contingent liabilities

The Company has a cross guarantee and debenture (fixed and floating charge over all assets) with the Group's bankers in respect of overdrafts of £597,000 (2020: £967,000) within other group companies.

The Company acts as guarantor for future lease payments of £3,083,333 (2020: £3,283,333) in respect of the lease of the Derby site by its subsidiary company, the Derby Conference Centre Limited.

36. Share capital

Allotted, issued and fully paid – ordinary shares of 1p each:	2021 £'000	2020 £'000
As at 1 January 14,643,707 shares (2020: 14,643,707 shares)	**146**	146
As at 31 December 14,643,707 shares (2020: 14,643,707 shares)	**146**	146

Share options

Details of share options and the share-based payment charge calculation are set out in note 7.

37. Pension commitments

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in an independently administered fund. Included in other creditors were £7,164 (2020: £5,962) of outstanding contributions.

38. Post reporting date events

There have been no significant events to report since the reporting date.

Directors and advisers

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A M Pendlebury
S L Dye

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S L Dye

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