

27 February 2017

RTC Group Plc

("RTC", "the Company" or "the Group")

Final results for the year ended 31 December 2016

RTC Group Plc (AIM: RTC.L), the engineering and technical recruitment company, is pleased to announce its audited results for the year ended 31 December 2016.

Highlights

- Group revenue £67.9m (2015: £64.9m)
- Gross profit £12.1m (2015: £12.7m)
- Profit before tax £1.1m (2015: £1.3m)
- Earnings per share (basic) 5.80p (2015: 7.85p)
- Cash inflow from operations £1.7m (2015: £0.5m)

During the year, the Company paid an interim dividend of £152,549 (2015: £136,631) to its equity shareholders. This represents a payment of 1.1p (2015: 1.0p) per share. A final dividend of £277,363 (2015: £277,363) has been proposed but has not been accrued within these financial statements. This represents a payment of 2.0p (2015: 2.0p) per share. A resolution regarding the recommended final dividend is to be considered at the Company's forthcoming 2017 Annual General Meeting, which is due to be held on 19 April 2017. If shareholders approve the recommended final dividend, then this will be paid on 3 July 2017 to all holders of shares who are on the register of members at the close of business on 9 June 2017, with an ex-dividend date of 8 June 2017.

Commenting on the results Andy Pendlebury, CEO said:

"2016 was another positive year for RTC. Ganymede continues to build its reputation as a leading supplier to Network Rail on its CP5 maintenance and renewals programmes. ATA's regional branch network delivered another solid year and the ATA project business, despite its third quarter difficulties, rebounded strongly in the last quarter of the year. Whilst overall Group revenue has only increased modestly from 2015 and gross margin and net profit were not as originally hoped, cash generation was strong and we are pleased to be able to propose a 2.0p per share final dividend.

We will continue to build value for shareholders through the further implementation of the Board's strategic plan of building and investing in complimentary subsidiary businesses. RTC will seek to develop new opportunities for growth through the delivery of both independent and integrated solutions for existing and new clients. Our success in capturing multi-subsidiary business opportunities is growing and as more clients are aggressively accelerating supply chain consolidation, we believe our strategic advantage will gather pace."

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RTC Group Plc

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About RTC

RTC has three principal trading subsidiaries engaged in recruitment services:

- ATA is one of the UK's leading engineering and technical recruitment consultancies. Supplying white and blue collar engineering and technical staff to a broad range of SME clients and vertical markets;
- Ganymede is focused on the supply and operation of blue collar contingent labour into safety critical markets; and
- GSS predominantly provides managed service solutions for international clients.

www.rtcgroupplc.co.uk

Chairman's statement

For the year ended 31 December 2016

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

Group

2016 has seen continued expansion of Group revenues at £67.9m (2015: £64.9m) but has been marked by some important changes, both internal and external. This has resulted in a setback in Group gross profits at £12.1m (2015: £12.7m) and Group pre-tax profits at £1.1m (2015: £1.3m). Basic earnings per share at 5.80p (2015: 7.85p) have been further affected by a higher tax charge in 2016 (refer note 3).

The international division, Global Staffing Solutions, has enjoyed a better than expected year as operations in Afghanistan stabilised and other sources of revenue emerged. We have, however, decided to discontinue our venture in Qatar.

ATA had a largely satisfactory year but was affected by some delays in decisions concerning infrastructure projects during the third quarter. The year ended on a strong note.

The UK labour supply division, Ganymede, continued to prosper with demand in the Railway industry for blue collar workers exceeding expectations leading to a busy year end and an extremely pleasing performance for the year.

2016 was a year of major change at the Derby Conference Centre, which is contained within the Central Services segment, as new lease arrangements bedded in and space vacated by an outgoing tenant was successfully re-let by the year end. Major changes in the utilisation of the buildings were completed and the entire premises are now available for revenue earning purposes including the re-siting of our head office functions. These changes and associated costs resulted in an operating loss which is not expected to be repeated

Cash inflow from operations of £1.7m (2015: £0.5m) was strong and has been both invested in the Derby site in line with Group strategy and paid out in dividends to shareholders.

Capital investment

Our strong trading performance has enabled us to continue carefully focused increases in capital expenditure for systems improvement and the investment of £1.1m to re-structure the Derby site.

Dividends

In pursuance of our policy, an interim dividend of 1.1p has been paid, (2015: 1.0p). The Directors are now proposing a final dividend for the 2016 year of 2.0p per share, (2015: 2.0p), subject to approval by shareholders at the Annual General Meeting on 19th April 2017.

Chairman's statement

For the year ended 31 December 2016

Outlook

RTC has started 2017 positively, building on the strong finish to 2016. ATA and Ganymede are well placed to take advantage of economic growth and any increases in infrastructure spending, particularly on our overstretched railway system. Global Staffing Solutions is now stable, has continuing flows of demand from its longstanding client in Afghanistan and is their preferred supplier for other operations internationally. The Derby Conference Centre has, with one exception, now completed expenditure on improvements and is experiencing solid demand for its services.

These are exciting times with many opportunities and although the global situation must continue to cause apprehension the UK economy continues to perform gratifyingly well and as a result we view the future with confidence.

Staff

I should like to thank our staff at all levels for their loyalty, hard work and enthusiasm.

W J C Douie
Chairman

26 February 2017

Chief executive's operational and strategic review

For the year ended 31 December 2016

Background

Over the past few years, I have outlined for our shareholders an honest and open assessment of the key challenges the Group has faced whilst changing its strategic direction. This began in 2014 with a detailed assessment of the range of strategic issues, many survival-based, which the Group faced, along with the actions taken and resulting outcomes to reposition the Group for future prosperity. A new Group structure and accompanying business model was presented and in 2015, following another year of significant growth, the Group Board reaffirmed both its belief in, and commitment to, this strategy. As Group Chief Executive, whilst I am disappointed that our plan was impacted negatively by post BREXIT uncertainties, I believe what we are building at RTC is extremely solid and capable of rebounding from this short-term disturbance.

Subsidiary company review 2016

ATA

2016 was a year of mixed fortunes for our ATA business. Having started the year very positively across both divisions of projects and branch network, our projects business was impacted significantly due to delays on a number infrastructure projects supported by the business. This affected the permanent revenue stream of ATA in the third quarter and was the driver behind the Group trading update issued in October 2016. ATA was not the only recruitment business to be broadsided by these economic events with many businesses highlighting potential trading concerns. I am pleased to say that the projects business rebounded solidly in the last quarter of the year and regained much of the ground lost.

Our branch network, which has been supporting UK manufacturing companies for over 50 years, had another solid year during which we began the process of consolidating the number of branches to increase efficiencies and provide greater focus through a smaller number of larger branches. Continued investment in database technology across both parts of ATA is bringing greater knowledge sharing for candidate management and client development, and a range of social media interface tools are being explored to provide better connectivity with both clients and candidates.

Ganymede

2016 was an exceptionally strong year for Ganymede. An 17% increase in organic revenue generated a 27% uplift in gross profit which translated into a near 50% increase in contribution to the Group. Gross profit conversion, the measure of net contribution as a percentage of gross profit, rose by over 16% from 2015.

Over the past 18 months, incremental efficiencies implemented as part of the Network Rail CP5 programme have gradually surfaced and enabled the business to continue to invest heavily in its approach to safety critical management and enhance and increase the effectiveness of its management structure and processes whilst posting an impressive financial performance. Additionally, and of significant importance, is that the growth in rail revenue has come from a blend of new business from within the CP5 programme and associated Network Rail business through solid operational performance and new business from other rail infrastructure companies showing the business's ability to seek out and capture market share from its main competitors.

Chief executive's operational and strategic review

For the year ended 31 December 2016

Ganymede Energy, acquired in 2014 to provide a diversification opportunity into the domestic energy and utility sector, had a very solid second year of growth and is making significant progress in pursuit of its ambitious growth plans in support of the Government's smart meter roll out programme. Ganymede's experience in mobilising high volumes of workers to multi-site locations in highly safety critical environments is a significant source of competitive advantage to the Ganymede Energy business and is already attracting impressive attention from many of the smart meter roll out companies.

Global Staffing Solutions

During 2016 Global Staffing Solutions successfully bid for and won various follow-on contracts for its work supporting KBR in Afghanistan and Iraq. There was an element of margin sacrifice during the year to secure the contracts and a range of efficiency savings offset some of the impact. The reduction in contribution also reflected the investment committed to investigate and implement a pilot business in Qatar. Following a 12 month in country review of the scale and scope of the opportunity and a thorough assessment of the associated risk, the Board deemed the business too risky to pursue and the operation was folded. The focus of growth continues to centre around the strategic partnership with KBR and supporting their international bid programme with NATO and other direct government contracts.

Derby Conference Centre

A key component of the Central Services segment, the Derby Conference Centre, which is the headquarters for the RTC Group, underwent a significant enhancement and refurbishment programme in 2016. The facility is now unique in its heritage, being a grade II listed building with significant client history, a highly desirable headquarters for the Group, rental office accommodation site with full capacity rental from 1 January 2017, conferencing centre capable of hosting over 1,000 delegates, a business centre with first class networking facilities and hotel accommodation with over 50 bedrooms.

Whilst its current and forecast revenue and contribution are expected to be modest when compared with other Group subsidiaries, the business it plays a pivotal role in assisting the Group to develop inter-subsidary business. Through the Conference Centre, RTC has attracted a significant number of blue-chip clients to host events which has led to networking opportunities for other Group subsidiary businesses. A forthcoming Department for International Trade event to be held on 1 March 2017 is a good example of this. The event will host the Swiss rail inward investment mission where many rail companies from the Midlands will congregate in Derby to meet with two of Switzerland's most significant rail organisations; Stadler Rail and SBB. Ganymede and ATA will be in attendance and exploring new business opportunities in both white and blue collar recruitment.

This ability to leverage all aspects of Group subsidiary assets is a central plank of our strategic business model and a clear competitive advantage on our competitors.

Chief executive's operational and strategic review

For the year ended 31 December 2016

Our people

The biggest determinant of our achievements are our people and our company has survived incredible change, endured extreme competition in all our markets and despite these challenges created a business with enormous opportunities because of the quality of people we employ across the whole Group. We have achieved some fantastic things together and many more lie ahead for us. Our work ethic, culture and ethos set us apart and are a great source of our competitive advantage. Therefore, on behalf of the Board of directors of RTC, I would like to say a huge thank you to everybody employed in our businesses.

A M Pendlebury
Group Chief Executive

26 February 2017

Finance Director's statement

For the year ended 31 December 2016

Financial highlights

In the year ended 31 December 2016, Group delivered revenue of £67.9m (2015: £64.9m). Group gross margin reduced to 18% (2015: 20%) as a result of a change in business mix from permanent to contract revenue reflecting the short-term issues at ATA.

Acquisitions

The Group continues to look for acquisition opportunities that meet our strategic requirements.

Taxation

The total tax charge for the year was £0.3m (2015: £0.2m). The variance between this and the expected charge if a 20% corporation tax rate was applied to the profit for the year is explained in note 3.

Dividends

During the year, the Company paid an interim dividend of £152,549 (2015: £136,631) to its equity shareholders. This represents a payment of 1.1p (2015: 1.0p) per share.

The Derby site

Following the signing of a new 15-year lease in 2015, surplus space at the Derby site has now been re-let on 5-7 year leases in line with the Group's strategy for reducing central costs by maximising revenue from the site. The Derby Conference Centre within Central Services contributes further towards this aim by generating income from its business club, conferencing and corporate events.

Statement of financial position, cash generation and financing

Net working capital has decreased to £1.4m (2015: £1.8m) largely reflecting capital spend at the Derby site. The ratio of current assets to current liabilities is similar at 1.1 (2015: 1.2). The Group's gearing ratio, which is calculated as total borrowings over net assets, has decreased slightly to 1.3 (2015: 1.4) and interest cover is 11.3 (2014: 14.1) Cash inflow from operations was £1.7m (2015: £0.5m) with operating cash conversion 143% (2015: 34%).

The Group's current bank facilities include an overdraft of £50,000 and a confidential invoice discounting facility of up to £9.0m with HSBC. Both are renewable annually. The next review is due in February 2018. The Group is currently operating well within its facility.

The Board closely monitors the level of facility utilisation and availability, to ensure that there is sufficient headroom to manage current operations and support the growth of the business. The Group continues to be focused on cash generation and building a robust balance sheet.

S L Dye
Group Finance Director

26 February 2017

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue		67,900	64,899
Cost of sales		(55,794)	(52,198)
Gross profit		12,106	12,701
Administrative expenses		(10,929)	(11,321)
Profit from operations		1,177	1,380
Finance expense		(104)	(98)
Profit before tax		1,073	1,282
Tax expense	3	(273)	(172)
Total comprehensive income for the year		800	1,110
Earnings per ordinary share			
Basic	4	5.80p	7.85p
Fully diluted	4	5.44p	7.49p

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Share capital	Share premium	Own shares held	Capital redemption reserve	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2016	143	66	(473)	50	54	3,080	2,920
Total comprehensive income for the period	-	-	-	-	-	800	800
Dividends	-	-	-	-	-	(430)	(430)
Share options exercised	2	30	-	-	(5)	5	32
Share based payment charge	-	-	-	-	46	-	46
At 31 December 2016	145	96	(473)	50	95	3,455	3,368

The information for the prior reporting period is as follows:

	Share capital	Share premium	Own shares held	Capital redemption reserve	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	135	-	-	50	26	2,230	2,441
Total comprehensive income for the period	-	-	-	-	-	1,110	1,110
Dividends	-	-	-	-	-	(272)	(272)
Own shares purchased	-	-	(473)	-	-	-	(473)
Share options exercised	8	66	-	-	(12)	12	74
Share based payment charge	-	-	-	-	40	-	40
At 31 December 2015	143	66	(473)	50	54	3,080	2,920

Consolidated statement of financial position

As at 31 December 2016

	2016 £'000	2015 £'000
Assets		
Non-current		
Goodwill	132	132
Other intangible assets	642	736
Property, plant and equipment	1,260	345
Deferred tax asset	33	40
	2,067	1,253
Current		
Cash and cash equivalents	60	58
Inventories	12	13
Trade and other receivables	11,183	11,743
	11,255	11,814
Total assets	13,322	13,067
Liabilities		
Current		
Trade and other payables	(5,429)	(5,925)
Corporation tax	(132)	(132)
Current borrowings	(4,289)	(3,982)
	(9,850)	(10,039)
Non-current liabilities		
Deferred tax liabilities	(104)	(108)
Net assets	3,368	2,920
Equity		
Share capital	145	143
Share premium	96	66
Capital redemption reserve	50	50
Own shares held	(473)	(473)
Share based payment reserve	95	54
Retained earnings	3,455	3,080
Total equity	3,368	2,920

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 26 February 2017 by:

A M Pendlebury
Director

S L Dye
Director

Consolidated statement of cash flows

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Profit from operations	1,177	1,380
Adjustments for:		
Depreciation and amortisation	382	305
Loss on disposal	5	-
Employee equity settled share options charge	46	40
Change in inventories	1	6
Change in trade and other receivables	560	(2,476)
Change in trade and other payables	(483)	1,212
Cash inflow from operations	1,688	467
Income tax paid	(270)	(226)
Net cash inflow from operating activities	1,418	241
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,129)	(54)
Purchase of intangible assets	(79)	(206)
Net cash used in investing activities	(1,208)	(260)
Cash flows from financing activities		
Interest payments	(104)	(98)
Lease purchase payments	(11)	(11)
Dividends paid	(430)	(272)
Proceeds from exercise of share options	30	74
Purchase of own shares	-	(473)
Net cash outflow from financing activities	(515)	(780)
Net decrease in cash and cash equivalents from operations	(305)	(799)
Total net decrease in cash and cash equivalents	(305)	(799)
Cash and cash equivalents at beginning of period	(3,924)	(3,125)
Cash and cash equivalents at end of period	(4,229)	(3,924)

1. Corporate information and basis of preparation

RTC Group Plc is a public limited company incorporated and domiciled in England whose shares are publicly traded.

The announcement of results of the Group for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 26 February 2017.

The financial information included in this announcement has been compiled in accordance with the recognition and measurement criteria of International Financial Reporting Standards (“IFRS”), including International Accounting Standards (“IAS”) and interpretations issued by the International Accounting Standards Board (“IASB”) and its committees, and as adopted by the EU. This announcement does not itself however contain sufficient information to comply with IFRS.

The accounting policies adopted are consistent with those described in the annual financial statements for the year ended 31 December 2016. There have been no significant changes in the basis upon which estimates have been determined, compared to those applied at 31 December 2015 and no change in estimate has had a material effect on the current period.

2. Segment analysis

The Group is a provider of recruitment services that has its headquarters at the Derby Conference Centre which is contained within the Central Services segment. The recruitment business comprises three distinct business units – ATA predominantly servicing the UK engineering market; GSS servicing the international market and Ganymede supplying labour into safety critical environments.

Segment information is provided below in respect of ATA, Ganymede, GSS and Central Services which, as well as being the head office and providing all central services for the Group, generates income from excess space at the Derby site including rental and conferencing facilities.

The Group manages the trading performance of each segment by monitoring operating contribution and centrally manages working capital, borrowings and equity.

Revenues are generated from permanent and temporary recruitment in the recruitment division. Revenue is analysed by origin of customer/point of invoicing and as such all recruitment division revenues are supplied in the United Kingdom.

During 2016, one customer in GSS contributed 10% or more of total revenue being £9.6m (2015: £9.6m) and one customer in Ganymede also contributed 10% or more of total revenue being £21.2m (2015: £15.5m).

The segment information for the current reporting period is as follows:

	Recruitment		Ganymede	Central Services	Total Group
	ATA	GSS			
	£'000	£'000	£'000	£'000	£'000
External sales revenue	25,692	9,575	31,345	1,288	67,900
Cost of sales	(20,469)	(8,409)	(26,190)	(726)	(55,794)
Gross profit	5,223	1,166	5,155	562	12,106
Administrative expenses*	(3,854)	(787)	(2,795)	(3,105)	(10,541)
Amortisation of intangibles*	(41)	-	(132)	-	(173)
Depreciation*	(87)	(1)	(28)	(99)	(215)
Profit from operations	1,241	378	2,200	(2,642)	1,177
Tax expense					(273)

*combine to represent administrative expenses of £10,929,000 in the consolidated statement of comprehensive income.

The segment information for the prior reporting period is as follows:

	Recruitment		Ganymede	Central Services	Total Group
	ATA	GSS			
	£'000	£'000	£'000	£'000	£'000
External sales revenue	26,676	9,693	26,682	1,848	64,899
Cost of sales	(20,591)	(8,205)	(22,621)	(781)	(52,198)
Gross profit	6,085	1,488	4,061	1,067	12,701
Administrative expenses*	(4,446)	(1,016)	(2,448)	(3,105)	(11,015)
Amortisation of intangibles*	-	-	(132)	-	(132)
Depreciation*	(113)	(1)	(8)	(52)	(174)
Profit from operations	1,526	471	1,473	(2,090)	1,380
Tax expense					(172)

*combine to represent administrative expenses of £11,321,000 in the consolidated statement of comprehensive income.

All operations are continuing. All assets and liabilities are held in the United Kingdom.

3. Tax expense

	2016	2015
	£'000	£'000
Continuing operations		
Analysis of tax:		
Current tax		
UK corporation tax	235	172
Adjustment in respect of previous period	35	2
	270	174
Deferred tax		
Origination and reversal of temporary differences	3	(2)
Tax	273	172

Factors affecting the tax expense

The tax assessed for the year is greater than (2015: less than) would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

Factors affecting tax expense

	2016	2015
	£'000	£'000
Result for the year before tax	1,073	1,282
Profit multiplied by standard rate of tax of 20% (2015: 20.25%)	215	260
Non-deductible expenses	45	11
Tax credit on exercise of options	(22)	(101)
Adjustment in respect of previous period	35	2
Tax charge for the year	273	172

4. Basic and 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 all fully diluted earnings per share is based on the basic earnings per share adjusted to allow for dilutive potential ordinary shares.

	Basic		Fully diluted	
	2016	2015	2016	2015
Earnings £'000	800	1,110	800	1,110
Basic weighted average number of shares	13,783,879	14,136,688	13,783,879	14,136,688
Dilutive effect of share options			933,326	688,491
Fully diluted weighted average number of shares			14,717,206	14,825,178
Earnings per share (pence)	5.80p	7.85p	5.44p	7.49p

5. Dividends

During the year, the Company paid an interim dividend of £152,549 (2015: £136,631) to its equity shareholders. This represents a payment of 1.1p (2015: 1.0p) per share. A final dividend of £277,363 (2015: £277,363) has been proposed but has not been accrued within these financial statements. This represents a payment of 2.0p (2015: 2.0p) per share.

6. Report and accounts

The above financial information does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015 but is derived from those accounts. The auditor has reported on these accounts; their report was unqualified, did not draw any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) Companies Act 2006 or equivalent preceding legislation. The statutory accounts for 2015 have been filed with the Registrar of Companies.

Full audited accounts of RTC Group Plc for the year ended 31 December 2016 will be made available on the Company's website at www.rtcgroupplc.co.uk later today and will be dispatched to shareholders on 14 March 2017 and then be available from the Company's registered office - The Derby Conference Centre, London Road, Derby, DE24 8UX.

The Company's Annual General meeting will be held at 12 noon on 19 April 2017 at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London, SE1 2AU.