

This announcement contains inside information as stipulated under The Market Abuse Regulation (EU No. 596/2014).

23 July 2020

RTC Group Plc

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

Interim Results for the Six Months Ended 30 June 2020

RTC Group Plc (AIM: RTC.L), the engineering and technical recruitment Group, is pleased to announce its unaudited results for the six months ended 30 June 2020.

Summary:

- Group revenue from continuing operations was £40m (2019: £46m);
- Profit from operations was £0.3m (2019: £0.8m);
- Net cash inflow from operating activities £4.3m (2019: £1.1m);
- Basic earnings per share 1.20p (2019: 3.86p)

No dividends were paid in the period (2019: £362,780). At this time, no interim dividend is proposed for the year ended 31 December 2020 (2019: £199,734).

Commenting on the results, Bill Douie, Chairman, said:

"I am particularly pleased to be able to report that our Group has managed to navigate its way successfully through an extraordinarily difficult six months and, despite an immediate drop in revenue across all our UK business streams due to the Covid-19 pandemic, we have managed to deliver a modest first half profit and a significantly improved cash position. Cash generation in the period has principally benefitted from reduced working capital requirements through a combination of reduced revenues, accelerated payment terms from a key supplier and taking advantage of the Coronavirus VAT deferral Scheme.

I believe our strategy of concentrating on supporting activities in public and regulated sectors (infrastructure and railway transportation) and providing contract workers vital to the country's long-term infrastructure development plans is proving sound during these very difficult times. I see it as encouraging for the future prospects of the Group.

I am very proud of all of our hard-working employees who have shown exemplary commitment and spirit during these extremely challenging times and I believe we enter a demanding second six months with undiluted strength and determination to the credit of all concerned.

Given the ongoing uncertainties surrounding the impact of the pandemic, a further update on trading will be provided towards the end of the year."

The interim report is available on the Company's website www.rtcgroupplc.co.uk.

ENDS

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About RTC

RTC Group Plc is an AIM listed 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 technical and engineering talent and providing complete workforce solutions to help build and maintain infrastructure and transportation for a wide range of UK and international 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.

ATA Recruitment provide 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 engineering talent for our 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 our clients and candidates.

International division

Through its GSS brand the Group works with customers across the globe that are focused on delivering projects in a variety of engineering 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.

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.

Chairman's statement

Six months ended 30 June 2020

I am particularly pleased to be able to report that our Group has managed to navigate its way successfully through an extraordinarily difficult six months and, despite an immediate drop in revenue across all our UK business streams due to the Covid-19 pandemic, we have managed to deliver a modest first half profit and a significantly improved cash position. Cash generation in the period has principally benefitted from reduced working capital requirements through a combination of reduced revenues, accelerated payment terms from a key supplier and taking advantage of the Coronavirus VAT deferral Scheme.

I believe our strategy of concentrating on supporting activities in public and regulated sectors (infrastructure and railway transportation) and providing contract workers vital to the country's long-term infrastructure development plans is proving sound during these very difficult times. I see it as encouraging for the future prospects of the Group.

I am very proud of all of our hard-working employees who have shown exemplary commitment and spirit during these extremely challenging times and I believe we enter a demanding second six months with undiluted strength and determination to the credit of all concerned.

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W J C Douie
Chairman

23 July 2020

Finance Director's statement

Six months ended 30 June 2020

Highlights

Despite the impact of the Covid-19 pandemic ("the pandemic"), I am pleased to report that the Group delivered revenues of £40m (2019: £46m) and a profit from operations of £0.3m (2019: £0.8m) for the six months ended 30 June 2020.

Trading

Whilst trading in Q1 was largely unaffected by the pandemic, some disruption was experienced in Q2, with certain areas of the Group more significantly impacted than others. Revenue from contract placements was 89% of corresponding period levels at £38.7m and revenue from permanent placements and other revenue was 52% and 50% of corresponding period levels respectively.

Throughout Q2 we continued to provide contract workers to the UK infrastructure and railway transportation sectors but at reduced levels from Q1. General UK recruitment activities, permanent recruitment in particular, were significantly impacted by the lockdown. Smart-meter installation stopped, and our hotel and conference centre remained closed in line with Government guidance. Internationally our activities remained largely unaffected.

Towards the end of Q2 we began to see an increase in the number of contract workers required in the infrastructure and railway transportation sectors which is continuing in July. Some smart-meter installation activity recommenced in July, but general UK recruitment activities have remained significantly impacted by the pandemic, as has our hotel and conference centre.

Trading by segment

As outlined above, the impact of the pandemic on UK Recruitment was mixed. Overall, the segment delivered revenues of £31m (2019: £37m) which was converted to profit from operations of £1.2m (2019: 1.6m).

International Recruitment saw minimal impact of the pandemic and increased revenues to £8.3m (2019: £8.1m) reflecting a steady increase in the number of workers supplied to KBR its longstanding international partner. Profit from operations was maintained at £0.5m (2019: £0.5m).

UK Central Services has been significantly impacted by the pandemic with the hotel and conference centre facilities at the Derby site closed from 23 March 2020 in line with Government guidance. It re-opened in July but at present Government guidance curtails conference and event activities. Revenue generated by the UK Central Services segment was £0.5m (2019: £0.9m) and gross profit was £0.2m (2019: £0.4m).

Taxation

The total tax charge for the period is estimated at £60,000 (2019: £158,000). This is higher than would be expected if the standard tax rate was applied to the profits for the period, as explained in note 3.

Earnings per share

The basic earnings per share figure is 1.20p (2019: 3.86p). The diluted earnings per share 1.07p (2019: 3.48p).

Dividends

No dividends were paid in the period (2019: £362,780). At this time, no interim dividend is proposed for the year ended 31 December 2020 (2019: £199,734).

Statement of financial position

The Group statement of financial position has strengthened compared to the same point last year with net working capital increasing to £4.3m (2019: £3.3m). There has been a significant reduction in debtors since the start of the period as monies have been collected and 2020 revenues reduced as a result of the Covid-19 pandemic. Further, the reduction in revenue, together with accelerated payment terms from a key client and use of the Coronavirus VAT deferral scheme has led to a corresponding reduction in the amount of invoice finance required to support the business. The Group has no term debt and is financed using its invoice discounting and overdraft facilities with HSBC. The ratio of current assets to current liabilities has also increased to 1.5 (2019: 1.3). Interest cover was 3.5 times (2019: 8.5 times).

Cash flow

The positive cash flow from operating activities of £4.3m (2019: £1.1m) for the six-month period reflects a reduction in debtors as a result of reduced revenues but also the payment profiles of the mix of clients we have been supporting during the period, with a key client paying on accelerated terms to support suppliers through the pandemic and, as a result of the pandemic, a reduction in the supply of contractors to some clients on longer payment terms and the deferral of £1.5m VAT under the Government's Coronavirus VAT deferral Scheme. The impact of both of these factors on the utilisation of the Group's invoice discounting facility has been a £4.3m reduction in the amount of invoice finance required to support activities.

Prior period restatements

In line with the presentation adopted in the 2019 Annual Report, the consolidated statement of financial position at 30 June 2019 has been restated to show cash balances of £208,000 which were previously included within liabilities due within 1 year. This restatement has not impacted the previously reported profits, net current assets or net assets. In addition the consolidated cashflow statement has been restated to present the movement on invoice discounting facility within cash flows from financing activities together with the movement on perpetual bank overdrafts, also in line with the presentation in the 2019 Annual Report.

Financing

The Group's current bank facilities comprise an overdraft of £50,000 and a confidential invoice discounting facility of up to £12.0m with HSBC at a discount margin of 1.5% above base. The Board closely monitors the level of facility utilisation and availability to ensure there is enough headroom to manage current operations and future needs of the business. The Group continues to be focussed on cash generation and building a robust statement of financial position to protect the business.

As a result of the pandemic, the Group is taking additional measures to protect its financial position by reducing its cost base, deferring non-essential capital expenditure, and making use of the Government's Coronavirus Job Retention Scheme by furloughing affected employees and utilising the Government's Coronavirus VAT deferral scheme and rates holidays for the hospitality sector.

Own shares held

The cost of the Group's own shares purchased through the Employee Benefit Trust is shown as a deduction from equity. 40,000 options were exercised during the period. The balance of £235,918 on the own shares held reserve within equity reflects 337,027 shares remaining in the EBT that will be used to satisfy future exercises.

Going concern

The Board continues to review and monitor the risks and sensitivities associated with the pandemic and its potential impact on the Group. Given the Group's trading performance in the six-month period to 30 June 2020, Board consideration of a range of forward looking forecast scenarios for the second half of the year and its financing facility of £12m which has sufficient headroom to support those expectations, the Group is expected to be able to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the accounts. As a result, the going concern basis continues to be appropriate in preparing the financial statements.

S L Dye
Group Finance Director
23 July 2020

Consolidated statement of comprehensive income:

	Notes	Six-month period ended 30 June 2020 Unaudited £'000	Six-month period ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Revenue	2	39,858	45,983	94,949
Cost of sales	2	(34,211)	(38,985)	(80,475)
Gross profit	2	5,647	6,998	14,474
Other operating income	2	1,524	-	-
Administrative expenses	2	(6,847)	(6,196)	(12,513)
Profit from operations	2	324	802	1,961
Finance expense		(93)	(94)	(203)
Profit before tax		231	708	1,758
Tax expense	3	(60)	(158)	(390)
Total profit and other comprehensive income for the period attributable to owners of the parent		171	550	1,368
Earnings per ordinary share	4			
Basic		1.20p	3.86p	9.60p
Fully diluted		1.07p	3.48p	8.59p

Consolidated statement of changes in equity for the six months ended 30 June 2020:

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Profit and loss £'000	Total equity £'000
Balance at 1 January 2020	146	120	(264)	50	557	5,627	6,236
Total comprehensive income for the period	-	-	-	-	-	171	171
Transactions with owners:							
Share options exercised	-	-	28	-	(4)	(15)	9
Share based payment charge	-	-	-	-	67	-	67
Total transactions with owners	-	-	28	-	63	(15)	76
At 30 June 2020 (Unaudited)	146	120	(236)	50	620	5,783	6,483

Consolidated statement of changes in equity for the six months ended 30 June 2019:

	Share capital	Share premium	Own shares held	Capital redemption reserve	Share based payment reserve	Profit and loss	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	146	120	(292)	50	379	4,833	5,236
Total comprehensive income for the period	-	-	-	-	-	550	550
Transactions with owners:							
Dividends	-	-	-	-	-	(363)	(363)
Share options exercised	-	-	28	-	(16)	(10)	2
Share based payment charge	-	-	-	-	108	-	108
Total transactions with owners	-	-	28	-	92	(373)	(253)
At 30 June 2019 (Unaudited)	146	120	(264)	50	471	5,010	5,533

Consolidated statement of changes in equity for the year ended 31 December 2019:

	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
Balance at 1 January 2019	146	120	(292)	50	379	4,833	5,236
Total comprehensive income for the year	-	-	-	-	-	1,368	1,368
Transactions with owners:							
Dividends	-	-	-	-	-	(563)	(563)
Share options exercised	-	-	28	-	(15)	(11)	2
Share based payment charge	-	-	-	-	193	-	193
Total transactions with owners	-	-	28	-	178	(574)	(368)
At 31 December 2019 (Audited)	146	120	(264)	50	557	5,627	6,236

Consolidated statement of financial position:

	As at 30 June 2020 Unaudited £'000	As at 30 June 2019 Unaudited Restated £'000	As at 31 December 2019 Audited £'000
Assets			
Non-current			
Goodwill	132	132	132
Other intangible assets	196	240	234
Property, plant and equipment	1,694	1,620	1,680
Right of use assets	2,965	3,216	3,044
Deferred tax asset	106	66	95
	5,093	5,274	5,185
Current			
Inventories	10	12	10
Trade and other receivables	10,459	14,299	15,809
Cash and cash equivalents	2,022	208	798
Total current assets	12,491	14,519	16,617
Total assets	17,584	19,793	21,802
Liabilities			
Current			
Trade and other payables	(6,772)	(6,276)	(8,493)
Lease liabilities	(261)	(286)	(282)
Corporation tax	(352)	(425)	(296)
Current borrowings	(795)	(4,256)	(3,570)
Total current liabilities	(8,180)	(11,243)	(12,641)
Non-current liabilities			
Lease liabilities	(2,836)	(2,959)	(2,855)
Deferred tax liabilities	(85)	(58)	(70)
Net assets	6,483	5,533	6,236
Equity			
Share capital	146	146	146
Share premium	120	120	120
Capital redemption reserve	50	50	50
Own shares held	(236)	(264)	(264)
Share based payment reserve	620	471	557
Profit and loss account	5,783	5,010	5,627
Total equity	6,483	5,533	6,236

Consolidated statement of cash flows:

	Six-month period ended 30 June 2020 Unaudited £'000	Six-month period ended 30 June 2019 Unaudited Restated £'000	Year ended 31 December 2019 Audited £'000
Cash flows from operating activities			
Profit before tax	231	708	1,758
Adjustments for:			
Depreciation, loss on disposal and amortisation	370	397	693
Finance expense	93	94	203
Employee equity settled share options charge	67	108	194
Change in inventories	-	(4)	(2)
Change in trade and other receivables	5,350	1,512	(18)
Change in trade and other payables	(1,721)	(1,587)	629
Cash inflow from operations	4,390	1,228	3,457
Income tax paid	-	-	(378)
Interest paid	(93)	(94)	(203)
Net cash inflow from operating activities	4,297	1,134	2,876
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles	(174)	(136)	(314)
Proceeds from asset disposals	-	-	20
Net cash used in investing activities	(174)	(136)	(294)
Cash flows from financing activities			
Movement on invoice discounting facility	(2,818)	(1,071)	(1,821)
Movement on perpetual bank overdrafts	43	(139)	(75)
Dividends paid	-	(363)	(563)
Payments of lease liabilities	(133)	(138)	(246)
Proceeds from exercise of share options	9	2	2
Net cash outflow from financing activities	(2,899)	(1,709)	(2,703)
Net increase/(decrease) in cash and cash equivalents	1,224	(711)	(121)
Cash and cash equivalents at beginning of period	798	919	919
Cash and cash equivalents at end of period	2,022	208	798

Notes to the interim statement for the six months ended 30 June 2020:

1. Accounting policies

a) *General information*

RTC Group Plc is incorporated and domiciled in England and its shares are publicly traded on AIM. The registered office address is The Derby Conference Centre, London Road, Derby, DE24 8UX. The company's registered number is 02558971. The principal activities of the Group are described in note 2.

The Board consider the principal risks and uncertainties relating to the Group for the next six months to be the same as detailed in our last Annual Report and Accounts to 31 December 2019 with the addition of the risk associated with a pandemic as explained below:

Pandemic risk

In addition to the risks set out in our last Annual Report, there is the additional risk caused by the Covid-19 pandemic and its onward consequences. This impacts the Group's UK and International operations to differing degrees. Internationally we have experienced minimal disruption. In the UK permanent recruitment, smart-meter installation activity and the provision of hotel, conference and events services have been materially impacted. In addition to the potential impact on the UK economic performance and loss of revenue to our business, our considerations include the risk of any significant extension in debtor days or credit defaults as a result of cash flow problems at our clients. To mitigate these risks, we are utilising the Government's Coronavirus Job Retention Scheme to enable us to retain staff by flexing costs in line with activity and we are closely monitoring all our clients to ensure payment terms are adhered to. We have also taken advantage of the Government's VAT deferral scheme and rates holiday for hospitality.

b) *Basis of preparation*

The unaudited interim Group financial information of RTC Group Plc is for the six months ended 30 June 2020 and does not comprise statutory accounts within the meaning of S.435 of the Companies Act 2006. The unaudited interim Group financial statements have been prepared in accordance with the AIM rules and have not been reviewed by the Group's auditors. This report should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2019, which have been prepared in accordance with IFRS's as adopted by the European Union.

Going concern

The Board continues to review and monitor the risks and sensitivities associated with the pandemic and its potential impact on the Group. Given the Group's trading performance in the six-month period to 30 June 2020, Board consideration of a range of forward looking forecast scenarios for the second half of the year and its financing facility of £12m which has sufficient headroom to support those expectations, the Group is expected to be able to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the accounts. As a result, the going concern basis continues to be appropriate in preparing the financial statements.

These unaudited interim Group financial statements were approved for issue on 23 July 2020. No significant events, other than those disclosed in this document, have occurred between 30 June 2020 and this date.

c) *Comparatives*

The comparative figures for the year ended 31 December 2019 do not constitute statutory accounts within the meaning of S.435 of the Companies Act 2006, but they have been derived from the audited financial statements for that year, which have been filed with the Registrar of Companies. The report of the auditor was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 nor a reference to any matters which the auditor drew attention by way of emphasis of matter without qualifying their report.

Prior period restatements

In line with the presentation adopted in the 2019 Annual Report, the consolidated statement of financial position at 30 June 2019 has been restated to show cash balances of £208,000 which were previously included within liabilities due within 1 year. This restatement has not impacted the previously reported profits, net current assets or net assets. In addition the consolidated cashflow statement has been restated to present the movement on invoice discounting facility within cash flows from financing activities together with the movement on perpetual bank overdrafts, in line with the presentation in the 2019 Annual Report.

d) Accounting policies

In preparing these interim financial statements, the Board have considered the impact of new standards which will be applied in the 2020 Annual Report and Accounts and there are not expected to be any changes in the accounting policies compared to those applied at 31 December 2019.

A full description of accounting policies is contained with our 2019 Annual Report and Accounts which is available on our website.

This interim announcement has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Union as effective for periods beginning on or after 1 January 2020.

2. Segment analysis

The Group has three operating segments: United Kingdom and International Recruitment which reflect the integrated approach to the Group's recruitment business in the UK and independent delivery of its overseas recruitment activities; and the UK based Central Services segment whose purpose is to provide all central services for the Group including the Group's head office facilities in Derby. It also generates income from excess space at the Derby site including rental and conferencing facilities.

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.

Revenue is analysed by origin of customer/point of invoicing. All revenues below have been generated by continuing operations and invoiced to external customers. All assets and liabilities are in the UK.

During the first half of 2020, one customer in the UK Recruitment segment contributed 10% or more of that segment's revenues being £12.8m (2019: £14.2m) and one customer in the International Recruitment sector contributed 10% or more of that segment's revenues being £8.1m (2019: £8.0m).

Revenue, gross profit and operating profit delivery by geography for the six-month period ended 30 June 2020:

£'000	UK Recruitment	International Recruitment	UK Central Services	Total Group
Revenue	31,154	8,257	447	39,858
Cost of sales	(26,638)	(7,321)	(252)	(34,211)
Gross profit	4,516	936	195	5,647
Other operating income*	1,377	-	147	1,524
Administrative expenses	(4,582)	(406)	(1,489)	(6,477)
Amortisation of intangibles	(39)	-	-	(39)
Depreciation of right of use assets	(63)	-	(109)	(172)
Depreciation	(55)	(2)	(102)	(159)
Total administrative expenses	(4,739)	(408)	(1,700)	6,847
Profit from operations	1,154	528	(1,358)	324

*Other operating income represents Government Grants in respect of the Coronavirus Job Retention Scheme.

Segment profit from operations above represents the profit earned by each segment without allocation of Group administration costs or finance costs.

Segment information for the six months ended 30 June 2019:

£'000	UK Recruitment	International Recruitment	UK Central Services	Total Group
Revenue	37,018	8,073	892	45,983
Cost of sales	(31,306)	(7,192)	(487)	(38,985)
Gross profit	5,712	881	405	6,998
Administrative expenses	(3,919)	(370)	(1,519)	(5,808)
Amortisation of intangibles	(93)	-	-	(93)
Depreciation of right of use assets	(65)	-	(103)	(168)
Depreciation	(27)	(2)	(98)	(127)
Total administrative expenses	(4,104)	(372)	(1,720)	(6,196)
Profit from operations	1,608	509	(1,315)	802

Segment information for the year ended 31 December 2019:

£'000	UK Recruitment	International Recruitment	UK Central Services	Total Group
Revenue	76,526	16,559	1,864	94,949
Cost of sales	(64,680)	(14,785)	(1,010)	(80,475)
Gross profit	11,846	1,774	854	14,474
Administrative expenses	(7,852)	(701)	(3,269)	(11,822)
Amortisation of intangibles	(85)	-	-	(85)
Depreciation of right of use assets	(125)	-	(214)	(339)
Depreciation	(93)	(4)	(170)	(267)
Total administrative expenses	(8,155)	(705)	(3,653)	(12,513)
Profit from operations	3,691	1,069	(2,799)	1,961

Recruitment revenues are generated from permanent and temporary recruitment and long-term contracts for labour supply. Within Central Services revenues are generated from the rental of excess space and facilities at the Derby site, described as Other below. Revenue and gross profit by service classification for management purposes:

Revenue	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	Year ended 31 December 2019 (Audited)
£'000			
Permanent placements	741	1,410	2,819
Contract	38,670	43,681	90,266
Other	447	892	1,864
	39,858	45,983	94,949

Gross profit	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	Year ended 31 December 2019 (Audited)
£'000			
Permanent placements	741	1,410	2,819
Contract	4,711	5,183	10,801
Other	195	405	854
	5,647	6,998	14,474

3. Income tax

	Six-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2019 (Unaudited)	Year ended 31 December 2019 (Audited)
Continuing operations	£'000	£'000	£'000
Analysis of tax:			
Current tax			
UK corporation tax	56	164	402
Adjustment in respect of previous period	-	-	11
	56	164	413
Deferred tax			
Origination and reversal of temporary differences	4	(6)	(23)
Tax	60	158	390

Factors affecting the tax expense

The tax assessed for the six-month period ended 30 June 2020 is higher than (2019: higher than) would be expected by multiplying profit by the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are explained below:

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
Factors affecting tax expense	£'000	£'000	£'000
Result for the period before tax	231	708	1,758
Profit multiplied by standard rate of tax of 19% (2019: 19%)	44	135	334
Non-deductible expenses	35	55	86
Tax credit on exercise of options	(3)	(4)	(5)
Other differences	(16)	(28)	(36)
Adjustment in respect of previous period	-	-	11
Tax charge for the period	60	158	390

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

	Basic		Diluted	
	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Earnings £'000	171	550	171	550
Basic weighted average number of shares	14,279,831	14,234,392	14,279,831	14,234,392
Dilutive effect of share options	-	-	1,747,749	1,552,981
Fully diluted weighted average number of shares	-	-	16,027,580	15,787,373
Earnings per share (pence)	1.20p	3.86p	1.07p	3.48p

5. Borrowings

Included in current borrowings are bank overdrafts and an invoice discounting facility which is secured by a cross guarantee and debenture over all Group companies. There have been no defaults or breaches of the terms of the facility during the current or prior period.