22 February 2021

RTC Group Plc

(“RTC”, “the Company” or “the Group”)

Final results for the year ended 31 December 2020

RTC Group Plc (AIM: RTC.L) is pleased to announce its audited results for the year ended 31 December 2020.

Highlights

- Group revenue £81.4m (2019: £94.9m), 14% decrease.
- Profit from operations reduced to £1.1m (2019: £2.0m), 45% decrease.
- Net cash inflow from operating activities £5.1m (2019: £2.9m), 76% increase.
- Net cash increased to £1.9m (2019: Net debt £2.8m). The Group has no term debt.
- Earnings per share (basic) 4.66p (2019: 9.60p).
- No final dividend is proposed. Total dividends in respect of the year to 31 December 2020 Nil (2019: 3.95p).

Commenting on the results Andy Pendlebury, CEO said:

“2020 was a year like no other in our history. The pandemic which hit the world with such ferocity and devastating effect focused our minds primarily on the safety, health and well-being and livelihoods of our employees and extended workforce deployed throughout the world. Their safety remains our single most important priority and, until this virus is brought under control, the Group will not compromise on this commitment.

Given the seismic impact of the closure of large parts of our economy I believe our results are extremely respectable and our cash position significantly enhanced.

Although, as we publish our accounts, we continue to wait for the Government to confirm its exit plan, we believe there are many reasons to feel hopeful about the Group’s prospects.”

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About RTC

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 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 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 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.

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

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.

www.rtcgroupplc.co.uk

Chairman's statement

For the year ended 31 December 2020

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

Group

2020 has been a particularly challenging year with all but the first two months being deeply affected by the rapid onset and escalation of the COVID virus. Nonetheless protective measures commenced during January and decisions on a strategic level to focus on balance sheet preservation and cost control were taken immediately.

Trading in the Group continued to deliver satisfactory results for most of the first quarter but the rumble of thunder, distinctly audible in the first three months, morphed into very difficult conditions from March onwards in certain areas of the business. These were mainly focussed on the Derby Conference Centre and some parts of UK recruitment. The wisdom of our specialisation in infrastructure and international contract recruitment was demonstrated as revenues in railway maintenance in the UK and services to military installations overseas continued with only limited drops in revenues.

As mentioned in our interim statement, we were able to deliver a profit in the period and made valuable improvements in our cash position. The expectation at that time was that the second half would continue to be as difficult as the first and that history told us that there was a considerable possibility of a second wave of infections but we were confident that we could continue to trade profitably. The outcome for the second half and the year as a whole have justified that confidence and we have been assisted by a successfully negotiated conclusion of phase one of our contract to supply smart meter Installation engineers to the electricity supply industry where revenues were guaranteed over the first three years.

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, now part of Ganymede, had a difficult year in fragile market conditions, but were able to produce a creditable trading result. In other areas, Ganymede continued to prosper with slightly reduced levels of demand in both rail and infrastructure and 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.

Our international division, Global Staffing Solutions, continued in line with expectations. However, global travel bans impacted some workforce mobilisation activities.

Capital investment

We continue to invest in the development of our businesses.

Dividends

In the conditions which have unfolded in 2020 it was considered prudent 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 taxing year.

Outlook

On a positive note, we remain confident that the present global medical emergency will eventually be put behind us, but we see no 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 and consumption and the settling down of our departure from the EU. We believe that we have explored these matters and that we have a roadmap for successful trading in the years to come. The establishment of strong and stable Government, the passing at long last of our exit from the European Union and the establishment of a robust trading arrangement with Europe, give us cause to anticipate more a predictable and promising future.

W J C Douie — 21 February 2021
Chairman

Chief Executive's operational and strategic review

For the year ended 31 December 2020

Overview

In 2020, we faced a year like no other in our history. The COVID pandemic which hit the world with such ferocity and devastating effect focused our minds primarily on the safety, health and well-being and livelihoods of our employees and our extended workforce deployed throughout the world.

The speed at which decisions were being made by global governments were at times impacting our Group on a daily basis, with all our operational businesses having to modify operational procedures at very short notice. The commitment, agility and flexibility displayed by our teams across the Group during the most uncertain and worrying of times was truly incredible and it is both fitting and right that it features heavily throughout this report.

From a trading perspective and given the seismic impact of the closure of large parts of our economy, and the domino effect across many industries, I believe our results in the circumstances are extremely respectable.

Revenues at £81m, whilst down 14% from last year, still generated a healthy gross profit of £10.2m which once subsidiary overheads and central service costs, which in many cases were kept at constant levels as we maintained our long term commitment to both rail apprentice training and our energy industry recruitment plan, were applied we still made a healthy profit from operations of £1.1m. At the same time, we considerably reduced our net working capital and debt through sound cash management and by working closely with our largest clients. We significantly reduced our gearing and generated a healthy net cash inflow from trading activities. The Group has no term debt and has again enhanced total equity for our investors.

The revenue streams affected most severely by the pandemic and which impacted Group profitability most were Ganymede's energy business, where all domestic site visits were prohibited during the lockdown and suffered a slower recovery post lockdown due to consumer confidence; our white collar permanent and temporary business, which suffered from the combination of an immediate drop off in activity as a consequence of the lockdown, the resulting travel restrictions and diluted industry confidence, as COVID forced many clients to re-evaluate their business plans and demand levels; and the Derby Conference Centre (DCC) which was effectively closed or placed in a constant state of heightened restrictions throughout the year. It was therefore down to our bellwether businesses of Rail and International to provide the underpinning of our profitability during this incredibly tough year.

During the year, like many other companies across the United Kingdom, the Group accessed grants from the Government's Coronavirus Job Retention Scheme. In doing this, we took the decision to include our PAYE contract workers as well as permanent members of staff as we believed that whilst there would be an element of non-recoverable cost through additional national insurance and pension contributions, we felt it was morally the right thing to stand by our extended workforce during such difficult times. The decision also made sense from a business continuity perspective. Of the £2.5m claimed by the Group around 35% related to our permanent employees and the remaining 65% was to support our contract workforce who, without this commitment by the Group, would have been left to suffer the fate of many flexibly engaged workers. We believe our reputation and brand value has been significantly enhanced through this initiative.

Finally, although the pandemic has impacted our short term financial performance and whilst at this stage we cannot predict with any degree of clarity what 2021 holds for the global economy, the Board is confident that our business model of investing in long-term strategic partnerships with blue-chip infrastructure based clients remains the key to the future long-term success of the Group.

Impact of COVID

The COVID restrictions, which began with a full lockdown in March and continued in some form throughout the rest of the year through the regional tiering system, impacted trading across all Group companies.

Our UK recruitment business, Ganymede, which represents the largest share of Group revenue was impacted in a number of ways. Permanent recruitment activities, predominantly driven by our ATA brand, were impacted significantly especially as the lockdown effectively prohibited travel and face to face interviews which is the main ingredient of the permanent recruitment process. A significant amount of work-in-progress activity and new order book business which was at varying stages of the placement cycle, was cancelled with zero or marginal cost recovery and this was a huge disappointment to the consultants across the business who had expended many hours identifying hard to find candidates.

Our energy business was instructed to stand down all engineers working on our long-term smart meter installation contracts as visits to domestic dwellings, other than for emergency work, were prohibited. This was a significant blow to the business especially as many of the engineers had just completed extensive periods of training to work on the Government's smart meter programme. Whilst activities were able to resume after the first lockdown was lifted, momentum remained slow until the last quarter as subdued demand reflected the public's worries regarding COVID transmission.

Unlike other parts of the Group that suffered predominantly revenue-based implications, COVID's impact on our largest business, Rail, presented more operational and cost-based challenges as the Government declared the sector an essential industry and all employees engaged were given key worker status. In order to protect our workers, our own and client employees and members of the public, enhanced levels of detailed risk assessment including: travel to and from operational sites and track locations; reduced numbers of operatives per vehicle along with design and installation of protective vehicle screening; sourcing, preparing and deploying thousands of additional pieces of personal protective equipment along with hundreds of additional vehicles at short notice; and through the training and employment of a significant number of COVID Marshalls to ensure the safe implementation of and adherence to new COVID secure working process and procedures. This has been and remains a huge logistical challenge for the sector and through working in close collaboration with other suppliers and competitors and being financially supported and guided by Network Rail the sector has managed to keep essential rail maintenance and enhancement activities fully operational during the pandemic.

Our conferencing business, the DCC, which began the year with a healthy order book of conferences, private events and accommodation demand was, like many others in the sector, effectively closed overnight. Whilst the business enjoyed a short reprieve during the summer months albeit with reduced activity, it suffered a further blow when then Government enforced a second sector closure at the end of October which effectively eliminated the opportunity for businesses to recoup some of the lost revenue during the busy year end festivities. This was naturally a significant blow to the team especially as, like many in the sector, they had invested heavily in ensuring a COVID secure environment for their employees and their customers. However, the DCC business is atypical of the hospitality industry in that whilst it does provide conferencing, hotel and event services, it also caters for many smaller meetings (some of which continued for key workers), provides a training facility for workers engaged in Ganymede's key contracts and derives rental income from surplus space at the Derby site.

Our international brand, GSS was initially well shielded from the impact of COVID with most of the workforce deployed in both secure compounds and in remote locations. However, as the year progressed it became increasingly clear that international travel was becoming a greater concern to governments globally and that the threat to the containment and worry of increased spread of the disease would necessitate a range of travel restrictions and in some cases complete bans. Whist this impacted revenue as some ex-patriate workers who typically worked on a rota basis were unable to return to their work locations, it was mitigated through a combination of deploying local workers and a number of ex-patriates choosing not take up rotation leave during the pandemic. New contract placements were also affected with start dates being deferred until 2021.

Finally, COVID had a significant and immediate impact on the way Group central services employees were able to perform their vital roles. Numerous members of staff engaged in the welfare and wellbeing of employees, the payroll of thousands of workers deployed around the world, group cash management and financial control and Group IT and multiple operating system management had to be interlinked across multiple home working and Group system networks at crisis management speed.

Naturally, all this has come at a financial cost to the Group but our single most important goal is the ongoing safety, health and wellbeing of all our employees and until this virus is brought under control the Group will not compromise on this commitment to its employees who remain its number one priority.

Business review

Given the speed and depth of the various lockdowns and tiered restrictions imposed by global governments, the year was one of contrasting performance across the Group businesses.

UK division

Our Rail business which provides the largest volume of Group revenue and profit has delivered another consistent and very strong performance providing further confidence in the merit of our long-term strategic commitment to invest alongside clients supporting the United Kingdom transportation infrastructure sector. Whilst the challenge facing our conferencing, international, white collar and energy businesses centred around mitigating the consequences of lost revenue through COVID, our rail business faced a very different set of challenges as the sector was deemed a key worker industry. The steps taken to protect our staff working on the rail network, as outlined earlier, played a significant and important role in ensuring that our business was able to maintain activity levels throughout the year. Ganymede, as Network Rail's largest provider of contingent labour across its maintenance and renewals programme, is now established as one of the country's leading providers of rail personnel. In addition to our number one position with Network Rail, Ganymede supports various prime contractors including Balfour Beatty Rail, the South Rail Systems Alliance headed by Colas, the Transpennine Route Upgrade and Transport for Wales projects. Operationally Ganymede is both well respected and well placed to grow with the major long-term rail infrastructure programmes around the country.

During the year we opened Ganymede Projects which has been established to undertake minor 'civils' work projects alongside our traditional track maintenance and renewals labour support business. The business has already received encouragement and support from existing clients, and we believe this business unit has the opportunity to become a growing source of value add, revenue and healthy profit margin over the longer-term horizon.

We are very proud that, during the pandemic, Ganymede's safety directorate identified, trained and implemented, with many clients across the sector, the role of Rail COVID Marshall to ensure the safety and wellbeing of workers employed in the industry. This valuable initiative has enabled a safer and more confident working environment for the workforce. We are also pleased that during the year Ganymede expanded its apprentice training programme with clients to attract young people into the rail engineering sector and alongside this has continued with its long-term commitment to support and invest in the 'Women in Rail' initiative. The DCC has played host to events on numerous occasions and various RTC Group executives have attended and contributed across a range of important issues which the sector is addressing to encourage women into the sector.

Our UK engineering projects business and regional branch network, which typically focus on white collar recruitment, saw a significant decline in both permanent fees and temporary placement margins when compared to 2019. Much of this, especially permanent activity which, as a direct consequence of Government travel restrictions and national lockdowns, was either considerably delayed or, in many cases, cancelled. This was hugely disappointing to our consultants, candidates and clients who had collectively expended many hours prior to the imposition of the national lockdown and wider restrictions.

On a more positive note, and in order the address the sudden drop off in face to face recruitment activity due to COVID prohibiting the traditional interview process, we accelerated the development and implementation of our online interviewing platform 'Ganymede Connect'. This initiative which enables consultants, clients and candidates to interact collectively online and share interview notes, presentations and negotiation skills in a variety of online formats between differing parties has been extremely well received by both clients and candidates and proved successful in increasing activity levels and associated revenue during the second half of the year.

It is worth noting that IR35 legislation, which was due to become operational from April 2020, was deferred until April 2021 and whilst this has provided an element of respite for those companies and individuals affected by the forthcoming legislation, it has impacted white collar contract revenue during 2020 in part due to the uncertainty caused by both the interpretation and application of the legislation and the HMRC implementation delay.

Our Energy business had anticipated promising growth in 2020 as smart meter technology issues had finally been ironed out resulting in a common platform for consumer installations. In addition, the large investment made by the Group in sourcing, training and preparing for the deployment of large numbers of skilled smart meter installers had finally begun to provide the critical mass necessary to assist the sector achieve its large roll-out commitment to the Government. However, this was brought to an abrupt halt with the national lockdown. During the period March to July 2020 80% of activity and associated revenue was cancelled. Whilst the installation programme regained momentum in August, dampened consumer confidence deferred the upturn in demand until the final quarter of 2020. This combined with the decision by prime contractors to defer their recruitment growth until 2021 had a noticeable impact on the revenue and profitability of the business. As outlined in the Group Finance Director's report this was offset by a one-off contract contribution from our largest energy client reflecting minimum volume guarantees agreed at contract outset in recognition of the significant investment commitment made by RTC Group. We remain both positive and hopeful that all work programmes will see accelerated growth in 2021 and believe we are well placed to capture opportunities that will emerge through the Government's social housing and electric vehicle initiatives which will drive long term demand across the sector.

Within central services, the DCC was significantly impacted by the Government's response to COVID. Having started the year with a full order book, revenue generation through some trading streams was all but cancelled on multiple occasions as the Government's strategy of initial lockdown, regional tiering system and return to lockdown devastated the hospitality sector. Over 90% of all events, conferences, external training programmes, weddings, and other regional activities which the DCC successfully runs were cancelled or in many cases deferred until 2021.

The DCC continued to provide rental accommodation to businesses and in-house facilities to other RTC Group companies which enabled Ganymede to continue with a number of its strategic training initiatives of finding, training and deploying smart meter installers for a wide selection of clients engaged in the national roll-out programme and also for its rail industry apprentice investment plan where Ganymede is now one of the leading providers of blue-collar apprentices to the sector. Both of these training initiatives have enjoyed continuity through the Group having in the DCC its own facility and the Board believes that this uniqueness will continue to be a source of wider value add and differentiation for the Group.

In addition to the rental services and in-house activities being provided by the DCC, the centre has also been supporting external organisations through providing its hotel and meeting facilities to key workers in need of accommodation in the East Midlands and has also assisted other organisations supporting Government initiatives. Although activity and revenue levels through both closure and restrictions have been extremely disappointing the DCC has enhanced its reputation throughout a very difficult year and whilst 2021 remains uncertain, given its expertise in providing a broad range of services and facilities compared to other pure hotel and conference facilities in the East Midlands, it is well positioned to capitalise on the significant growth in hospitality and conferencing which will eventually return to the sector.

Finally, the whole team at the DCC have worked tirelessly to ensure the facility has operated within the strict COVID operating guidelines. Its team of employees and support staff, like many in the hospitality sector, have had to endure significant periods of furlough. We are deeply grateful to the whole team for their efforts and commitment to both the DCC and the RTC Group.

International division

GSS, our international business, had another successful trading year, despite growing disruption as a consequence of military site lockdowns, travel restrictions, flight bans and border closures, both revenue and gross profit saw only minimal decline. Whilst net profit declined during the period, this reflected our decision to maintain a constant overhead in readiness to support both new contract wins delayed through COVID and existing business growth both of which are expected to return in 2021.

Whilst the year saw a further withdrawal of American troops from Afghanistan, resulting in their exit from the Kandahar airfield, the remaining operational sites in Afghanistan supported by NATO remain fully operational and GSS continues to provide a large deployment team to support their activities. NATO troops now outnumber American troops 3:1 in the region and whilst President Trump had committed to a complete withdrawal of the remaining 2500 US personnel by the spring of 2021 it is unclear what strategic direction the new Biden administration will take, with much speculation that the incumbent troops will remain as a counter-terrorism force.

GSS now supports clients in over 10 countries and, in addition to the recruitment, deployment and mobilization of workers from over 20 countries across a broad geographical landscape, including hostile environments, GSS has established itself as a leading provider of in-country visas which is providing an increasing revenue opportunity.

Outlook

Whilst, as we publish our accounts, the Government has no clearly defined exit plan, we believe there are many reasons to feel hopeful about the Group's prospects. Firstly, the country-wide vaccination programme is well underway bringing with it the hope of a gradual opening of the broader economy. Secondly, the Trade and Operation Agreement between the United Kingdom and the European Union has at last brought the clarity which many companies in the engineering and manufacturing sectors have been seeking to allow the return of much needed capital expenditure and investment, which traditionally drives demand in the manufacturing, engineering and technical sectors, which in turn drives increased demand across the recruitment sector. Finally, we believe our strategic business model has once again proved resilient even in the most difficult of economic downturns and as and when our domestic economy rebounds we are well positioned across a broad base of sectors to provide future long term growth prospects to the Group and its stakeholders.

Our People

It is wholly fitting to finish this review by recognising and appreciating the enormous contributions made by the wide range of people engaged in the Group's activities. The teamwork which has been displayed across every aspect of our business has been remarkable and worthy of special recognition. Our IT team who, with very little notice and at lightning speed, secured and made operational large numbers of additional portable hardware to enable remote working for the majority of our organisation, with seamless integration and minimal disruption. This ensured our business was able to keep connected both internally across operating divisions and within support functions. Our finance team, operating through a combination of site shift working and remote support, enabled hundreds of thousands of payroll transactions to be made to contractors around the world with all payments, many paid weekly, being received correctly and on time. Our Group human resource team establishing flexible working models with employees across all divisions, securing the flexibility the Group needed to continue to operate successfully whilst at the same time recognising and ensuring the robust implementation of policies to protect the health, safety and wellbeing of all our direct, indirect and contracted employees and engaged workforce. To all involved in the above mentioned initiatives, from the Board and senior management team, who took temporary salary reductions at the outset of the pandemic whilst at the same time doubling efforts to deliver the Group's results, to each and every team member involved across our support functions alongside everybody in the trading divisions of Ganymede, GSS, ATA and the DCC, many of whom have spent varying lengths of time furloughed, a huge thank you.

We could not have done this without the shared sense of purpose which bonds us all together. What we have endured over the last year, and continue to endure as we enter 2021, has been the toughest of challenges ever thrown at us and I am convinced we will come through this a better, stronger more agile organisation capable of achieving greater success once we return to a more stable environment.

A M Pendlebury
CEO

21 February 2021

Finance Director's report

For the year ended 31 December 2020

Financial highlights

The Group is proud to have delivered revenues of £81.4m (2019: £94.9m) and profit from operations of £1.1m (2019: £2.0m), against the backdrop of the COVID pandemic causing reduced revenues in UK Recruitment and Central Services.

The result achieved again demonstrates how resilient the Group is because of its structure - built on three pillars of recruitment – UK engineering and manufacturing; UK Rail & Infrastructure & Energy; and, Internationally, the supply of wide-ranging skills in hostile environments. In 2020, this deliberate positioning on a strong and diverse base has enabled our businesses like Ganymede, supplying labour into safety critical environments, with continuing good demand in Rail and Infrastructure to support other areas of the Group more heavily impacted by the pandemic.

UK Recruitment

Due to the COVID pandemic, the Group saw a year of mixed performances in UK Recruitment.

Total revenue was £64.5m (2019: £76.5m) and gross profit was £8.4m (2019: £11.8m). The gross margin percentage has reduced to 13.1% (2019: 15.5%), although this figure is affected by the accounting treatment of furlough monies received by the Group. Within cost of sales there is £1.6m of cost relating to wages paid for contractors not working for which furlough monies were received. These furlough monies are included in other operating income. The gross margin percentage for 2020 excluding these wages would be 15.6%.

Overall revenue from contract placements was £79.2m (2019: £90.3m). Contract recruitment into Rail and Infrastructure seeing continued demand somewhat impacted by the pandemic but still good. In technical engineering recruitment both permanent and contract placements were significantly impacted by the pandemic with revenues from permanent placements halved at £1.4m (2019: £2.8m). Demand from Energy clients slowed during the initial lockdown but picked up to more usual levels towards the end of the year. Revenues were boosted somewhat by a one-off settlement of £590,000 that was agreed with one customer in respect of a guaranteed volume commitment that was not achieved in the period.

The UK division has utilised the Coronavirus Job Retention Scheme for both its employees and to support its PAYE contractors impacted by the pandemic and put on furlough.

International

The International division was somewhat impacted by the COVID pandemic but continued to deliver against its core contracts and support other clients. During the year its key client exited Kandahar Airfield in Afghanistan resulting in revenues for the Company being slightly lower than the prior year at £16.1m (2019: £16.6m). Profit from operations was correspondingly reduced to £0.9m (2019: £1.1m).

The International division has not utilised any Government financial support relating to the pandemic.

Central Services

Within Central Services, in accordance with the initial lockdown instructions, the hotel and conference centre were closed from March-July 2020 and tier restrictions were in place from July-December 2020 reducing demand and meaning no events could take place, although some permitted activities have conrinued. As a result, revenue for 2020 decreased to £0.7m (2019: £1.9m) and, despite taking advantage of financial help offered by the government through the furlough scheme, taking a rates holiday and the local government business support grant, gross profit was significantly reduced at £0.1m (2019: £0.9m). The gross margin percentage has reduced to 20.5% (2019: 45.8%) as a result of the presentation of furlough monies received by the Group. Within cost of sales, there is £0.2m of cost relating to wages paid for staff not working for which furlough monies were received. These furlough monies are included in other operating income. The gross margin percentage for 2020 excluding these wages would be 45.9%. Given the impact on trading in 2020 caused by the COVID pandemic, an impairment review of the Derby Conference Centre was triggered under IAS 36. The Board concluded that no impairment was required.

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 a small local government business support grant. It has also deferred a VAT payment from March 2020 of £1.5m.

Interest cover
Interest cover decreased to 5.8 (2019: 9.7) largely due to the reduction in profit from operations because of reduced revenues.

Taxation
The tax charge for the year was £0.2m (2019: £0.4m). 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 3.

Dividends
Total dividend payments of Nil (2019: £563,152) which equate to Nil per share (2019: 3.95p) were made during the year. No final dividend for the year ended 31 December 2020 has been proposed (2019: £363,418). This represents a payment of Nil (2019: 2.55p) per share.

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 year and own shares held in the EBT were used to satisfy this demand. The balance of £235,918 (2019: £263,919) on the own shares held reserve within equity reflects 337,027 (2019: 377,027) shares remaining in the EBT that will be used to satisfy future exercises.

Statement of financial position and cash flows
The Group's statement of financial position has strengthened compared to the same point last year with net working capital increasing to £5.1m (2019: £4.0m). The ratio of current assets to current liabilities has improved at 1.5 (2019: 1.3).

The Group's gearing ratio, which is calculated as total borrowings over net assets, was significantly improved at 0.1 (2019: 0.6) as a result of the sales in the year being heavily weighted in favour of clients with shorter payment terms. This can be seen in the cash flow which shows a £2.8m reduction in invoice discounting facility funds in use.

The Group generated a net cash inflow from operating activities of £5.1m (2019: £2.9m). The increase is due to two main factors; a reduction in working capital tied up in debtors as a result of the 2020 revenue mix being heavily weighted towards customers with more favourable credit terms together with an improved aged position compared with 2019, and the deferral of one quarter's VAT payment of £1.5m as allowed by the government as part of their COVID financial support initiatives.

The Group has no term debt and is financed using its invoice discounting and overdraft facilities with HSBC. At 31 December 2020 the Group's had available funds to draw down of £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 of up to £12.0m with HSBC at a 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 support the growth of the business. The Group continues to be focused on cash generation and building a robust statement of financial position to support the growth of the business.

This year, given the COVID pandemic, in addition to the established budgeting and forecasting processes, a reverse stress test has been undertaken which shows that the Group has sufficient cash and facilities available to withstand a 50% reduction against the 2020 revenues without any significant restructuring or other cost reduction measures and, on this basis, the Board have concluded that the going concern basis of preparation remains appropriate.

S L Dye
Group Finance Director

21 February 2021

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	2	**81,356**	94,949
Cost of sales		**(71,117)**	(80,475)
Gross profit		**10,239**	14,474
Other operating income	2	**2,477**	-
Administrative expenses		**(11,663)**	(12,513)
Profit from operations		**1,053**	1,961
Finance expense		**(183)**	(203)
Profit before tax		**870**	1,758
Tax expense	3	**(204)**	(390)
Total profit and other comprehensive income for the period attributable to owners of the Parent		**666**	1,368
Earnings per ordinary share			
Basic	4	**4.66p**	9.60p
Fully diluted	4	**4.13p**	8.59p

Consolidated statement of changes in equity
For the year ended 31 December 2020

	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**

The information for the prior reporting period is 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 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	146	120	(264)	50	557	5,627	6,236

Consolidated statement of financial position
As at 31 December 2020

	2020	2019
	£'000	£'000
Assets		
Non-current		
Goodwill	**132**	132
Other intangible assets	**149**	234
Property, plant and equipment	**1,648**	1,680
Right of use assets	**2,993**	3,044
Deferred tax asset	**149**	95
	5,071	5,185
Current		
Inventories	**7**	10
Trade and other receivables	**13,404**	15,809
Cash and cash equivalents	**2,827**	798
	16,238	16,617
Total assets	**21,309**	21,802
Liabilities		
Current		
Trade and other payables	**(9,706)**	(8,493)
Lease liabilities	**(276)**	(282)
Corporation tax	**(218)**	(296)
Current borrowings	**(967)**	(3,570)
	(11,167)	(12,641)
Non-current liabilities		
Lease liabilities	**(2,944)**	(2,855)
Deferred tax liabilities	**(122)**	(70)
Net assets	**7,076**	6,236
Equity		
Share capital	**146**	146
Share premium	**120**	120
Own shares held	**(236)**	(264)
Capital redemption reserve	**50**	50
Share based payment reserve	**718**	557
Retained earnings	**6,278**	5,627
Total equity	**7,076**	6,236

Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	**2020 £'000**	2019 £'000
Cash flows from operating activities			
Profit before tax		**870**	1,758
Adjustments for:			
Depreciation, loss on disposal and amortisation		**763**	693
Finance expense		**183**	203
Employee equity settled share options charge		**165**	194
Change in inventories		**3**	(2)
Change in trade and other receivables		**2,405**	(18)
Change in trade and other payables		**1,213**	629
Cash inflow from operations		**5,602**	3,457
Income tax paid		**(284)**	(378)
Interest paid		**(183)**	(203)
Net cash inflow from operating activities		**5,135**	2,876
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		**(293)**	(314)
Proceeds from asset disposals		**-**	20
Net cash outflow from investing activities		**(293)**	(294)
Cash flows from financing activities			
Movement on invoice discounting facility		**(2,818)**	(1,821)
Movement on perpetual bank overdrafts		**215**	(75)
Dividends paid		**-**	(563)
Payment of lease liabilities		**(219)**	(246)
Proceeds from exercise of share options		**9**	2
Net cash outflow from financing activities		**(2,813)**	(2,703)
Net increase/(decrease) in cash and cash equivalents	21	**2,029**	(121)
Cash and cash equivalents at beginning of period		**798**	919
Cash and cash equivalents at end of period	21	**2,827**	798

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 2020 was authorised for issue in accordance with a resolution of the directors on 21 February 2021.

The financial information included in this announcement has been compiled in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. 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 2019. There have been no significant changes in the basis upon which estimates have been determined, compared to those applied at 31 December 2019 and no change in estimate has had a material effect on the current period.

2. **Segment analysis**

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 and 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 (CODM), 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 excess space at the Derby site including rental and conferencing facilities.

Revenue, gross profit and operating profit delivery by geography:

	2020				2019			
	UK Recruitment	**UK Central Services**	**International Recruitment**	**Total Group**	UK Recruitment	UK Central Services	International Recruitment	Total Group
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Revenue	**64,521**	**713**	**16,122**	**81,356**	76,526	1,864	16,559	94,949
Cost of sales	**(56,129)**	**(567)**	**(14,421)**	**(71,117)**	(64,680)	(1,010)	(14,785)	(80,475)
Gross profit	**8,392**	**146**	**1,701**	**10,239**	11,846	854	1,774	14,474
Other operating income	**2,168**	**309**	**-**	**2,477**	-	-	-	-
Administrative expenses	**(6,883)**	**(3,211)**	**(809)**	**(10,903)**	(7,852)	(3,269)	(701)	(11,822)
Amortisation of intangibles	**(85)**	**-**	**-**	**(85)**	(85)	-	-	(85)
Depreciation of right of use assets	**(123)**	**(230)**	**-**	**(353)**	(125)	(214)	-	(339)
Depreciation	**(143)**	**(174)**	**(5)**	**(322)**	(93)	(170)	(4)	(267)
Total administrative expenses	**(5,066)**	**(3,306)**	**(814)**	**(9,186)**	(8,155)	(3,653)	(705)	(12,513)
Profit from operations	**3,326**	**(3,160)**	**887**	**1,053**	3,691	(2,799)	1,069	1,961

*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 paid back).

	2020
	£'000
Coronavirus Job Retention Scheme Grant relating to:	
- Contractors paid under PAYE	**1,623**
- Own staff	**851**
	2,474
Local Government Business Support Grant	**3**
	2,477

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

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

The revenue reported above is generated from continuing operations with external customers. There were no sales between segments in the year (2019: Nil). For segment reporting purposes revenue is analysed by the geographical location in which the services are delivered.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of Group administration costs or finance costs.

During 2020, one customer in the UK segment contributed 10% or more of total revenue being £27.3m (2019: £31.3m) and one customer in the International segment also contributed 10% or more of total revenue being £15.7m (2019: £16.5m).

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		Gross profit	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Permanent placements	**1,435**	2,819	**1,435**	2,819
Contract	**79,208**	90,266	**8,658**	10,801
Other	**713**	1,864	**146**	854
	81,356	94,949	**10,239**	14,474

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

3. Tax expense

	2020	2019
Continuing operations	**£'000**	£'000
Current tax		
UK corporation tax	**218**	402
Adjustments in respect of previous periods	**(12)**	11
	206	413
Deferred tax		
Origination and reversal of temporary differences	**(2)**	(23)
Tax	**204**	390

Factors affecting the tax expense
The tax assessed for the year is higher than (2019: higher than) would be expected by multiplying the profit by the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
Factors affecting tax expense	**£'000**	£'000
Result for the year before tax	**870**	1,758
Profit multiplied by standard rate of tax of 19% (2019: 19%)	**165**	334
Non-deductible expenses	**48**	86
Tax credit on exercise of options	**(5)**	(5)
Effect of change in deferred tax rate	**8**	-
Other differences	**-**	(36)
Adjustment in respect of previous periods	**(12)**	11
	204	390

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 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	
	2020	2019	**2020**	2019
Earnings £'000	**666**	1,368	**666**	1,368
Basic weighted average number of shares	**14,299,995**	14,254,557	**14,299,995**	14,254,557
Dilutive effect of share options	-	-	**1,840,513**	1,676,094
Fully diluted weighted average number of shares	**-**	-	**16,140,508**	15,930,651
Earnings per share (pence)	**4.66p**	9.60p	**4.13p**	8.59p

5. **Dividends**

	2020 £'000	2019 £'000
Final dividend of 0p per share (2019: 2.55p) proposed and paid during the year relating to the previous year's results.	**-**	363
Interim dividend of 0p per share (2019: 1.4p).	**-**	200
	-	563

No final dividend for the year ended 31 December 2020 has been proposed (2019: £363,418). This represents a payment of Nil (2019: 2.55p) per share.

6. **Report and accounts**

The above financial information does not constitute the Company's statutory accounts for the years ended 31 December 2020 or 2019 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 2019 have been filed with the Registrar of Companies.

Full audited accounts of RTC Group Plc for the year ended 31 December 2020 will be made available on the Company's website at www.rtcgroupplc.co.uk later today and will be dispatched to shareholders on 19 March 2021 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 21 April 2021 at the Derby Conference Centre, London Road, Derby, DE24 8UX.