

2019

Connecting  
business and  
career ambitions



**Annual Report**

for the year ended 31 December 2019

Stock code: RTC  
[www.rtcgroupplc.co.uk](http://www.rtcgroupplc.co.uk)

# Welcome to the RTC Group Annual Report 2019

RTC Group Plc is an AIM listed engineering and technical recruitment business that provides temporary and permanent labour to a broad range of industries and customers in both domestic and international markets.

## Highlights

Group revenue	Profit from operations	Basic EPS
<b>£94.9m</b>	<b>£2.0m</b>	<b>9.60p</b>
(2018:£87.8m)	(2018:£2.0m)	(2018:10.2p)

## Learn more

RTC maintains a corporate website at [www.rtcgroupplc.co.uk](http://www.rtcgroupplc.co.uk) containing a wide range of information of interest including:

- Latest news and press releases
- Company reports

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## Group at a glance

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

### UK division

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

Ganymede specialise in recruiting the best technical and engineering talent and providing complete workforce solutions to help build and maintain infrastructure and transportation for a wide range of UK 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.

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

ATA Recruitment provide high-quality technical recruitment solutions to the manufacturing, engineering and technology sectors. Working as an engineering recruitment partner supporting businesses across the UK, ATA Recruitment has a strong track record of attracting and recruiting the best engineering talent for 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

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

## Chairman's statement

For the year ended 31 December 2019

### Group

The performance across both our UK and International divisions has been extremely pleasing. Overall, 2019 has seen further growth in Group revenues to £94.9m (2018: £87.8m).

### UK division

Within the UK, our ATA brand navigated fragile market conditions to produce a very creditable trading result. Ganymede continued to prosper with further increases in demand in both the rail industry and 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. Within Central Services revenues from the Derby Conference Centre increased and the facility continued to provide a first-class headquarters and value add for our clients as explained in the Chief Executive's statement.

### International division

Internationally our GSS brand had an exceptional year's performance beating its highest ever contribution to the Group.

### Dividends

In pursuance of our policy, an interim dividend of 1.4p (2018: 1.3p) has been paid. Your directors are now proposing a final dividend for the 2019 year of 2.76p (2018: 2.55p) per share, subject to approval at the Annual General Meeting.

### Outlook

Although there remain uncertainties for the UK economy in 2020 which are likely to remain until our future trading arrangements with the European Community are resolved, we enter 2020 following a healthy performance in 2019 with optimism. ATA Recruitment is continuing to perform at satisfactory levels, and Ganymede is substantially insulated from any volatility in the general UK markets by the contracts it has within both the Rail and Energy industries. The Derby Conference Centre is experiencing improving demand for its services.

Internationally, GSS has continuing flows of demand from its longstanding client in Afghanistan and continues to develop business in the Middle East.

The establishment of strong and stable Government and the passing at long last of our exit from the European Union give us cause to anticipate more predictable and promising trading conditions although the progress to a final trade agreement with the EU may cause 2020 to be a bumpy year. Recent clear indications of strong increases in infrastructure spending and investment culminating in the announcement of an urgent drive to construct and complete our major expansion in High Speed Rail transport are expected to offer many opportunities for the Group.

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

23 February 2020

## Chief Executive's operational and strategic review

For the year ended 31 December 2019

### Overview

2019 was another extremely positive year for the Group. Our business continued to grow despite severe economic and geo-political uncertainty which impacted the wider global and UK economies. Group revenue, gross profit, cash generation and shareholder dividends all increased in line with market expectations. The Group's long-term investment programme in apprentice training and workforce upskilling remained at a constant, and in certain cases enhanced level. These costs have to be recognised fully in the year incurred and cannot be spread over the expected revenue recovery timeline. Therefore, whilst we could, like many organisations have in the current climate, deferred this investment to achieve both higher profit and associated earnings per share, the Board did not see this as a necessary nor sensible strategy to deploy. Furthermore, whilst the Board is cognisant of the importance of meeting, and wherever possible exceeding annual profit targets, this will not be done at any cost as creating long-term sustainable profit and cash flow growth is our key priority to support our goal of growing dividends every year - not an easy commitment to make or deliver - as being essential in attracting and retaining a supportive shareholder community. We are proud that we have consistently delivered on our dividend commitment to our shareholders and our dividend yield is one of the best in the sector.

I am delighted that our results, when compared alongside the performance of many of our publicly traded peers, especially the small cap contingent, fair extremely well, and across a broad range of measures vindicate the strategic direction being followed by the Board. They provide confidence that the range of strategic imperatives outlined for shareholders in both our 2014 and 2017 business reviews are being implemented by strong management teams deployed across each of our businesses and within the corporate centre of the Group. Given that many of the current macro-economic challenges were neither present, nor indeed envisaged when we redefined the vision and strategic direction of the Group we believe our business model remains robust and once the economy regains accelerated momentum, capable of generating additional organic led growth opportunities for us to further grow shareholder value. I appreciate that there is no guarantee that 2020 will deliver a vastly different landscape than 2019 but by growing and using our balance sheet wisely, as we continue to do, we will be well prepared for any eventuality encountered by the Group.

With regards to our financial prudence and treasury management I would like to provide some clarity around our debt position as this has been a source of difficulty facing a number of companies in our sector over the past 12-18 months. I believe it is worth outlining for our shareholders, our relative position and attitude to the use of debt and its potential impact on shareholder wealth. Typically, debt in our sector is raised for two predominant reasons. Firstly, to finance business expansion through acquisition activity. Our sector has seen profit multiples of target companies (the multiple of net earnings before interest, tax, depreciation and amortisation) rise to significantly high, and in our opinion unrealistic valuations, and whilst this may provide short-term gains for shareholders, overly ambitious synergy savings are rarely achieved with the consequences of overpaying for targets providing unmanageable debt burdens. The impact on shareholder wealth through overburdened balance sheets is extremely damaging and in certain circumstances can be terminal. We will not do this to our shareholders and will concentrate on investing in and building on organic growth opportunities with existing and new clients. Funding this aspect of growth is where our industry derives its second key source of debt from in the form CID (Confidential Invoice Discounting). Through its banking facility, the Group acts as a secondary source lender to clients through recruiting and payrolling workers for them thereby bolstering their working capital capabilities. For doing this the Group charges clients a fee (our margin) to recover both its direct and indirect costs and a contribution to profit for reinvestment and dividends to shareholders. The primary risk to our shareholders is clients defaulting on their "working capital loans" or as it is referred to bad debts, and this is mitigated for our shareholders by the quality of due diligence in client selection and through our credit control and treasury management. Over the past 5 years the Group has cumulatively provided around £300m of these "working capital loans" to clients with a less than 0.02% default rate. We therefore believe that our debt position is extremely solid, and I hope this provides clarity and context to the debt position held on the Group's balance sheet.

## Divisional business review

### UK division

#### Operational integration of ATA and Ganymede

For many years Ganymede and ATA have successfully competed in their respective UK markets. Both businesses have enjoyed significant growth and have established reputations for delivering first class recruitment solutions to a range of clients in the rail, infrastructure, built environment and manufacturing sectors. As CEO of the Group I am extremely proud of everybody across both businesses for all the hard work that has gone into achieving this success.

However, as eluded to in my 2017 SWOT analysis both the competitive landscape and dynamics of the markets we serve are changing and our clients are demanding a broader solution from a streamlined supply chain. In order to compete and stay ahead of our competition we needed to change and adapt our business model and structure to fit the new paradigm. In our current format we have to approach clients multiple times through both businesses, set up individual trading arrangements under both companies and submit two sets of invoices for payments. This, when clients are looking to streamline supplier relationships, reduce administration and transaction costs and award bigger contracts with fewer suppliers, is both counter intuitive and potentially damaging to the Group.

With this in mind, we integrated the ATA Projects business with Ganymede creating a highly focused white-and-blue collar business. Our ATA branch network will continue to operate and grow in their current locations and compete in their indigenous manufacturing, engineering and industrial markets under the ATA Recruitment brand. Our commitment to grow all our branches remains a key priority for the Group.

I believe having done this we will create a very focused and enlarged people solutions business capable of competing with and beating much larger competitors who currently dominate the infrastructure and transportation marketplace. I also believe it will create opportunities for individuals across both businesses to accelerate their career and personal growth plans and help us become a more effective and efficient business by redefining our cost structure to focus on sales and account management to harness growth. Clearly there will be a number of challenges to overcome in ensuring a smooth integration but I believe the collective capability of the two businesses will achieve better growth and market positioning and I believe all concerned will see this as a new beginning and launch pad for everybody in the business and I have full confidence that the team led by Managing Director Paul Crompton have an exciting and prosperous future ahead of them.

### Ganymede

Ganymede had another outstanding year with both its Rail and Energy divisions delivering record levels of growth. The Rail business has continued to build on its reputation, presence and positioning in the Rail sector. Its solid performance as a lead supplier to Network Rail culminated in Network Rail exercising its option to extend its framework agreement until 31 March 2021 a significant and stellar performance by the whole team. Ganymede is now widely recognised as a leading exponent of safety critical working in the UK Rail sector. The Businesses reputation was significantly enhanced following the collapse of Carillion where Ganymede worked tirelessly alongside Network Rail to ensure minimal disruption on a range of unfinished and vitally important rail projects. In addition to strengthening its position with Network Rail, Ganymede has been selected as a preferred supplier to a number of Tier 1 rail suppliers broadening its footprint and involvement in other key rail infrastructure projects. By merging Ganymede with ATA who are also heavily involved in supplying white collar personnel to a broad range of rail focused suppliers the business can now offer full 'cradle to grave' and through life solutions to the sector which clients are increasingly demanding.

Ganymede's Energy business is now beginning to show the shoots of growth in its smart meter roll out programme following a number of years of slower than expected activity due to industry wide technology and compatibility issues. Our strategic contract with SSE has seen a significant increase in demand during the last quarter of 2019, which is extremely encouraging, and we believe the next 3-5 years will see a steady and consistent increase in headcount deployed on this type of activity. The Energy division is also involved in discussions with a number of energy companies engaged in medium to long-term roll out programmes for charging technology for smart cars. Like domestic smart meter forecasts, growth in this sector is set to rise significantly over the next 5-10 years and we believe given our experience and existing relationships with key OEM's we are favourably placed to establish a number of strategic partnerships. This is because this large-scale

national rollout programme would have similarities to the safety critical work we currently perform for both Network Rail and SSE.

Ganymede has continued with its long-term investment in training across both the sectors through its apprentice and operative upskilling programme. The investment commitment is not insignificant and as previously alluded to, is costed as incurred with revenue lagging investment in training. Whilst this has a short impact on profits, the business is committed to generating revenue over longer term as this provides a more consistent and steadier stream of revenues.

During 2019 Ganymede invested in a number of safety initiatives and campaigns which have improved communications and engagement with its workforce, and this has driven significant improvements in safety performance which is a key priority for both the Rail and Energy sectors. These initiatives are seen by the Board as long-term investment priorities and are further examples of the Group's attitude to business investment even during this difficult economic climate as we believe it will benefit the shareholder in the long-term.

Finally, Ganymede invested in two new sub-divisions during 2019 again incurring upfront investment costs and both are showing early signs of promise. Firstly the newly formed trades and labour division was formed to compliment the supply of rail engineering personnel with various non-rail tradesmen as many projects now demand a complete end-to-end workforce capability and secondly a small works business has been established to perform small packages of work where Ganymede take wider control and responsibility for both Network Rail and other Tier 1 suppliers. We believe by having a holistic capability, including the ATA white collar project business, it places Ganymede in a more favourable position to secure a new and enhanced long-term relationship with Network Rail and its key Tier 1 partners.

#### **ATA**

The challenging headwinds experienced by ATA in the first half of 2019 did not abate and like much of its competition ATA had to weather further and, in some cases, worsening conditions. The impact was felt equally by both the projects business where a number of new civil engineering projects were either held or in certain cases shelved pending the outcome of Brexit and the turbulent domestic political landscape. The ATA branch network which supports the UK manufacturing, engineering and industrial sectors was impacted as falling confidence dampened enthusiasm for capital investment initiatives and headcount led growth.

We believe the decision to combine ATA projects with Ganymede will have a positive impact during 2020 as it broadens its exposure to bigger and more established projects as part of the Ganymede offering. In terms of the branch network, ATA has always been firmly aligned to the direction of the wider economy and this has never been more evident than during the uncertainties created by Brexit. It has been a couple of extremely frustrating years for ATA branches and the generalist recruitment sector per se. However, ATA and its senior executive team, along with members of the Board, have endured many cycles of muted business confidence in the UK and history shows that these periods of stagnant or declining growth are normally followed by longer periods of growth as operational headcount cuts, usually deeper than needed, are reversed and depleted stock levels are replenished.

Furthermore, it is likely that a post-Brexit UK will be challenging for many companies as the war for talent will intensify as businesses find it harder to recruit from overseas. In this regard we believe that the ATA branch network will be able to source candidates through its sister company GSS who has access to a broad range of international recruitment partners. This could provide a valuable source of competitive advantage as many companies try to navigate through the EU settlement scheme, updated visa requirements and the evolving immigration reform landscape.

#### **Central Services**

Our Conference centre (the DCC), a part of Central Services, continues to provide first class headquarters for our Group financial directorate, human resources and technology departments. It is also headquarters to our Ganymede and ATA businesses and the Board. At the same time the DCC provides conferencing, events and commercial office facilities and is widely recognised as one of the most unique and respected venues across the East Midlands. In addition to the direct value add it generates for the Group, the DCC has played a significant role in helping our prime revenue generators through offering a range of bolt on services to clients



not offered by many of our competitors. Additionally, the DCC has generated various and in certain circumstances significant leads to our recruitment businesses and this attitude of cooperation and inter-divisional business development is encouraged across all Group operations.

### **International division**

Our International business GSS is a clear market leader in the deployment and management of large volume multi-nationality workers with a broad range of skills into hostile environments for NATO partner suppliers. It is unrivalled in the UK and has a range of unique skills and differentiators built up over the ten years since it was established by the Group.

I am delighted to report that the business had another hugely successful year culminating in its highest ever contribution to the Group. This achievement is even more remarkable as during 2018 the business had over £0.7m of non-recurring permanent fees from one client in the USA for a specific recruitment project in Afghanistan. To fill this gap the business recruited additional personnel for deployment in Afghanistan and other international locations for existing clients. The business now has around 1,000 workers deployed on blue chip international Government/NATO projects across a range of locations including Afghanistan, Iraq, Bahrain, Oman and UAE. The business is also currently in discussions with a range of USA and other international contractors to expand both its service offering.

### **Outlook and future growth strategy**

Any attempt at forecasting the outlook in the present economic climate is not without difficulty and anybody purporting to do so accurately without clearly identifying the accompanying and imminent risks runs the risk themselves of misleading shareholders. That is not our style and I would like to outline the key risks and uncertainties I see in delivering growth for our shareholders. Firstly, we cannot avoid the continuing macro-economic and geo-political fallout and continued threat from both the US/China trade war and the risk of a disorderly exit from the European Union. Both have the potential to further dampen the appetite for business investment, especially in the UK, and under these circumstances it is not uncommon for candidates to defer career moves thereby reducing supply capability. However, this is not untypical of recruitment supply/demand cycles and once confidence returns sentiment tends to reverse. To mitigate the potential of this threat and to counter the ebbs and flows of traditional recruitment activity, we embarked on a strategic change of direction when I joined the Group as CEO. Through building a diversified portfolio of businesses supporting long-term indigenous infrastructure programmes and projects with high value order book revenue. This, complimented by long-term international defence related contracts, has enabled the Board to build a solid foundation to mitigate the impact of exposure the UK economy which historically represented 100% of Group revenue.

The second predominant risk causing sleepless nights for CEO's is IR35. The IR35 cloud has been firmly on the horizon for twenty years as the initial legislation was first passed in the 2000 Finance Bill. Whilst the implementation date has been postponed on many occasions, HMRC is adamant it is not going to kick the can down the road anymore and the government is firmly committed to implementing its policy in April 2020. It is worth outlining that the legislation designed to combat tax avoidance by workers supplying services to clients through intermediaries is highly complex and with employment law relying on caselaw to determine the legal status of individuals, the complexity of the issue will be challenging for all concerned for the foreseeable future. Presently a significant contingent of workers deployed by the Group across its client base have been determined as residing outside the scope of the legislation as they are employed by the Government through Network Rail and the Government is responsible for determining the status of all workers engaged under their auspices. The status of workers engaged by Group within the private sector are subject to review by our various clients and we are working closely with all our clients to establish the most appropriate route to keeping the individuals engaged on their work programmes from April 2020.

Whilst I am acutely aware that the concerns highlighted above could be received negatively, that is not my intention. Far from it as I am extremely excited about our prospects as the work we have done to position ourselves as a lead player in the Infrastructure, Rail, Energy and International sectors has yet to be fully exploited by the Group. Rather I believe it is my responsibility to outline for our shareholders an honest and frank assessment of the challenges we face along with a clear message as to what we are doing to protect their interests. I believe this candour is what our shareholders want from us.

A M Pendlebury  
CEO

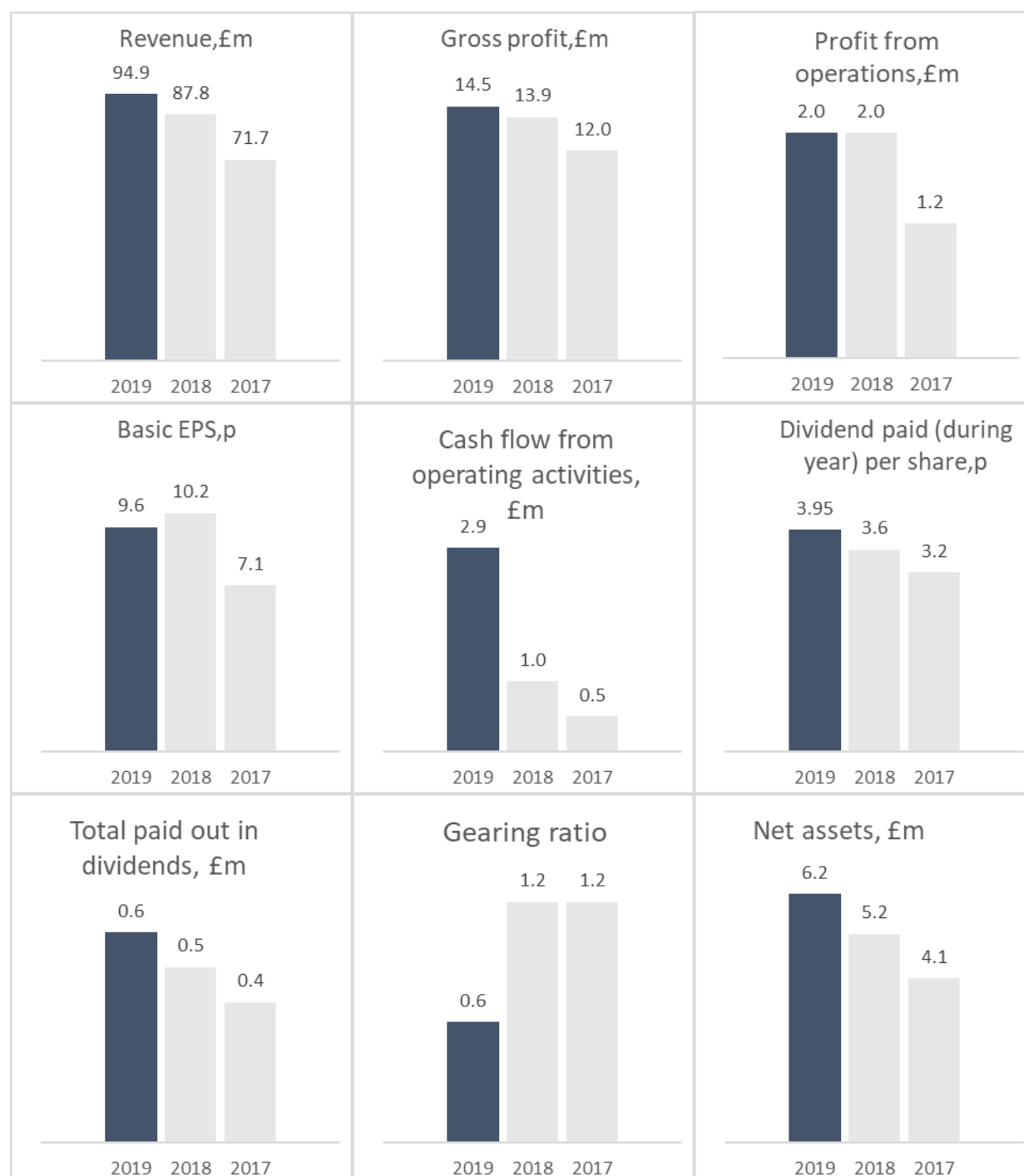
23 February 2020

## Business model



## Key performance indicators

For the year ended 31 December 2019



Refer to note 26 for the impact of the adoption of IFRS 16 on the financial statements.

## Risk Management

For the year ended 31 December 2019

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

### ***The economic cycle and economic conditions***

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

### ***Loss of key customers***

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

### ***Competition***

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

### ***Shortage of skilled candidates***

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

### ***Credit risk***

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

### ***Attracting and retaining key personnel***

The Group is reliant on its ability to recruit, train and retain its staff to deliver its growth plans. We continue to ensure that overall packages are competitive and include performance related incentives for staff. Succession plans are regularly reviewed.

### ***Compliance risks***

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

**Legislative risks**

Constantly changing employment and tax legislation around intermediary staff presents an area of uncertainty and therefore risk, heightened at this point by the changes to IR35 legislation for the private sector. To mitigate this risk, in conjunction with our clients and professional advisers, we monitor all changes in legislation, for example, we have been working closely with key clients regarding the implementation of the updated IR35 legislation for the private sector that comes into effect in April 2020, and keep our documentation and procedures under review. The Group works closely with its clients, financial and legal advisers and accredited recruitment bodies to ensure that the business is up to date on these issues.

**Reliance on technology**

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

**Cyber security and general data protection**

The Group holds certain data observing strict compliance obligations although a successful cyber-attack could interrupt the business, threaten confidentiality and lead to loss of client and candidate confidence. The Group continues to respond to this threat in a number of ways including system security measures and raising awareness with and training our staff to be vigilant. The Group has responsibilities to protect data under the General Data Protection Regulation and continually works to ensure full compliance. The Group has ISO27001 accreditation for both the Ganymede and ATA Recruitment processes.

## Finance Director's report

For the year ended 31 December 2019

### Financial highlights

The Group delivered profit from operations of £2.0m (2018: £2.0m).

#### *UK*

The Group saw a mixed performance across its UK businesses, Ganymede and ATA Recruitment, with areas such as technical engineering recruitment, both permanent and contract, impacted by clients showing caution pending a conclusion to Brexit negotiations. Whilst in areas such as contract recruitment for rail clients and permanent recruitment for energy clients demand was strong. As a result, revenue from permanent placements in the UK was maintained at £2.8m (2018: £2.8m) and contract revenue was up £7.8m to £90.3m (2018: £82.5m). Overall, the UK recruitment activities delivered profit from operations of £3.7m (2018: £3.6m) an increase of 3% on the previous year. Within Central Services, the Derby Conference Centre contributed £0.9m (2018: £0.9m) gross profit.

#### *International*

The Group's international division delivered its most profitable year since inception with revenues up £1.8m to £16.6m (2018: 14.8m) and profit from operations breaking the £1m barrier at £1.1m (2018: £0.9m) despite the absence of £0.7m of permanent fees delivered in 2018 as that contract ended early in 2019.

### Taxation

The tax charge for the year was £0.4m (2018: £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 9.

### Dividends

During the year, the Company paid a final dividend in respect of the previous year's results of £363,418 (2018: £326,984) which represents a payment of 2.55p (2018: 2.3p) per share and an interim dividend of £199,734 (2018: £184,817) to its equity shareholders. This represents a payment of 1.4p (2018: 1.3p) per share. Total dividend payments of £563,152 (2018: £511,801) which equate to 3.95p per share (2018: 3.6p) were made during the year (refer to note 11).

A final dividend for the year ended 31 December 2019 of £393,760 (2018: £362,780) has been proposed but has not been accrued within these financial statements. This represents a payment of 2.76p (2018: 2.55p) per share.

### Operational integration of ATA and Ganymede

To provide a simplified company structure and streamlined back office procedures to underpin the operational integration of Ganymede and ATA Recruitment (as set out in the Chief Executive's strategic report), the trade and assets of ATA Recruitment Limited were hived-up into Ganymede Solutions Limited on 31 December 2019. The assets were transferred at book value and there was no impact on the Group financial statements.

### Adoption of new accounting standards

During the year IFRS 16 Leases (effective 1 January 2019) was adopted which has resulted in the Group recognising right of use assets and lease liabilities for all qualifying contracts that are, or contain, a lease in the statement of financial position. The Group has applied the modified retrospective transition method and as such comparatives have not been restated. The impact on profit before tax for the Group for the year was not material and there was no impact on opening equity at 1 January 2019 (refer to note 26 for details). The Group also adopted IFRIC 23 which provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments; this had no material impact on the financial statements.

### 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 £263,919 on the own shares held reserve within equity reflects 377,027 shares remaining in the EBT that will be used to satisfy future exercises.

**Statement of financial position**

The Group's statement of financial position has further strengthened compared to the same point last year with net working capital increasing to £4.0m (2018: £3.1m). The ratio of current assets to current liabilities was improved at 1.3 (2018: 1.2). The Group's gearing ratio, which is calculated as total borrowings over net assets was significantly improved at 0.6 (2018: 1.2) largely as a result of change in mix of sales in favour of clients with shorter payment terms. The Group has no term debt and is financed using its invoice discounting and overdraft facilities with HSBC. Interest cover decreased to 9.7 (2018: 16.4) as during the year there were higher interest charges due to IFRS 16.

**Cash flows**

The Group generated a net cash inflow from operating activities of £2.9m (2018: £1.0m) largely due to strict control over the level of trade debtors year on year. Whilst revenues have increased during the year, the mix of those sales has been more towards clients with shorter payment terms which is also reflected in the movement in invoice discounting facility which shows a £1.8m reduction in funds in use. Cash generated from operations was applied to dividends £0.6m (2018: £0.5m) and the purchase of property plant and equipment £0.3m (2018: £0.5m). Payments of £0.2m (2018: £Nil) in respect of lease liabilities are also being shown within the cash flows from financing activities following the adoption of IFRS 16. These were previously within the profit from operations (refer to note 26).

**Prior period restatements**

As explained in note 27, the 2018 consolidated statement of financial position has been restated to present overdrafts of £1,454,000, which were previously included in cash and cash equivalents, 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 cash flow statement has been restated to present certain overdrafts, amounting to £827,000 within financing activities rather than cash and cash equivalents.

**Financing**

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 £9.0m with HSBC at a margin of 1.5% above base. An increase in the facility up to £11m has also been approved by HSBC but not yet invoked as the Group is operating within its current facility. 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.

The strategic report was approved by the Board on 23 February 2020 and signed on its behalf by:

S L Dye  
Group Finance Director

23 February 2020

## Section 172 statement

The directors set out their statement of compliance with s172 (1) of the Companies Act 2006 which should be read in conjunction with the rest of the annual report.

The directors preside over the Group for the benefit of all stakeholders. Decisions taken by the Board are always cognisant of the impact on each stakeholder group. Fundamentally the goal is the long-term sustainable growth of the business which will see returns to shareholders increasing, enable employees to realise their ambitions and support customers in achieving their goals.

### Stakeholders and stakeholder communication

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

#### Employees as stakeholders

The directors are committed to providing a working environment that promotes employee's wellbeing whilst facilitating their performance. The ways in which the directors communicate with and support our employees are set out in the Directors' report under the headings Equality, Diversity and Inclusion, Employee Engagement and Involvement. During the year the Group refurbished the Derby office for its UK division to foster closer working relationships between its two UK recruitment brands.

#### Shareholders as stakeholders

The directors provide information for the shareholders through the annual report, the interim report and public announcements made through RNS <https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/GB0002920121GBGBXASX1.html>. Shareholders are invited to contact the Chairman at any time and the directors make themselves available for face to face discussion with shareholders at the AGM. The directors are cognisant of their commitment to return profits to shareholders and reflect that in their progressive dividend policy.

#### Customers and other stakeholders

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

#### Impact on the community and the environment

The directors take very seriously their corporate social responsibility. In 2019 the Group launched its corporate social responsibility strategy and has employed a corporate social responsibility manager to implement that strategy. The key strands of the strategy are set out in the Director's report.

#### Maintaining a reputation for high standards of business conduct

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

W J C Douie  
Chairman

23 February 2020



## Directors' report

For the year ended 31 December 2019

The directors submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2019.

### Principal activity

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

### Results and review of the business

Group revenue for the year was £94.9m (2018: £87.8m). The Group recorded a profit from operations for the year of £2.0m (2018: £2.0m).

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

During the year, the Company paid an interim dividend of £199,734 (2018: £184,817) to its equity shareholders. This represents a payment of 1.4p (2018: 1.3p) per share. The directors have proposed a final dividend of £393,760 (2.76p per share) (2018: £362,780, 2.55p per share) to be paid on 1 June 2020 to shareholders registered on 7 May 2020. This has not been accrued within these financial statements as it was not formally approved before the year end.

### Share capital

Details of share capital are shown in note 20.

### Directors

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

W J C Douie  
A M Pendlebury  
S L Dye  
B W May

### Significant shareholders

Interests exceeding 3% of the issued ordinary share capital of the Company that had been notified at 1 February 2020 were as follows:

	Number of shares	% issued share capital
W J C Douie	2,409,113	16.45%
G A Mason	1,178,735	8.05%
A Chapman	1,155,340	7.89%
Chelverton Asset Management	1,000,000	6.83%
A M Pendlebury	696,871	4.76%
G J Chivers	525,809	3.39%
J Kent	454,500	3.10%

The share interests of the directors who served during the year, in the ordinary shares of the Company at the start and end of the year, were as follows:

	2019	2018
W J C Douie	2,409,113	2,409,113
A M Pendlebury	696,871	696,871
S L Dye	43,000	43,000
B W May	30,000	30,000

Directors' interests in share options are set out in note 7. S L Dye retires by rotation and offers herself for re-election.

The market price of the Company's shares on 31 December 2019 was 60p and the highest and the lowest share prices during the year were 71p and 50p respectively.

### Employees' shareholdings

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

### Equality diversity and inclusion (EDI)

Our commitment to providing a supportive, inclusive workplace free from discrimination where everyone is treated equally continues. We embrace equality, diversity and inclusion and seek to promote their benefits throughout all of our business activities which ensures that all employees are aware of the Group's commitment to EDI, our relevant policies and procedures, the benefits of a diverse workforce and the legal rights and obligations of employees. The Board's commitment to EDI continues through top down engagement with directors and senior managers championing EDI across the Group.

### Employment of disabled persons

The Group's policy of recruiting and promoting staff based on aptitude and ability without discrimination demonstrates our commitment to EDI, as such we pay attention to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

We give full and fair consideration to applications or promotions of disabled persons. Where an employee becomes disabled whilst employed by the Group, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Group. Retraining of employees who become disabled whilst employed by the Group is offered where appropriate.

### Employee engagement and involvement

Employee engagement and involvement continues to be an essential element of the Group's success, we see two-way communication between management and employees as vital. A quarterly newsletter was introduced during the year which is distributed across the Group. The newsletter includes messages from senior management, company news and updates from all the business areas.

Periodically we undertake employee engagement surveys, the previous survey produced positive results and identified a few changes to working practices which have been implemented. We plan to continue with periodic employee engagement surveys across the Group to give our employees a voice and to understand how we can continually improve working life.

We continue to maintain our intranet site that provides employees with information relating to their employment along with any Group news or matters of concern. Employees are encouraged to give feedback through this medium along with other lines of communication.

We regularly send out communications to employees about employee benefits and wellbeing initiatives. Mental Health first aid training has been rolled out across the Group and we now have a team of mental

health first aiders which gives employees another line of communication to discuss any issues that may be affecting their mental health.

All staff are invited to attend the Group's annual awards dinner at which both individual and divisional successes are celebrated, and staff are apprised of the Group's overall performance by the Chief Executive.

### **Modern Slavery**

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

### **Corporate social responsibility**

Our Corporate Social Responsibility (CSR) strategy has been developed to help us to achieve our aim of remaining a socially responsible business in the field of recruitment and contingent labour. By focusing our attention on issues where we can use our expertise, we believe we can create many opportunities that benefit the communities we work within.

To help us further develop and implement our CSR strategy and in turn help our clients to achieve theirs, we have recruited a full-time CSR manager. This person will ensure our CSR strategy is delivered and will further develop the key initiatives we have in place to meet our CSR and environmental objectives, which includes:

- reducing our carbon emissions and environmental impact;
- having a positive impact on the communities we work in by supporting employment for excluded groups and worklessness;
- supporting charities – in 2019 we introduced a payroll giving scheme across the Group;
- creating partnerships with local colleges/training providers to deliver apprenticeship programmes;
- supporting local schools with talks on rail safety, STEM subjects and career paths within the infrastructure sector;
- working with industry bodies and the supply chain to encourage and promote diversity across the sectors we operate in;
- a review of our recruitment and selection process to create and sustain an equal and diverse workforce; and
- initiatives to promote the health and wellbeing of our employees.

### **Directors' indemnities**

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

### **Post balance sheet events**

There have been no significant events to report since the date of the balance sheet.

### **Provision of information to auditor**

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

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

### **Going concern**

The Group has made a pre-tax profit of £1,758,000 from continuing operations and the directors have taken this into account when assessing the going concern basis of preparation. The directors are satisfied that taking account of the Group's net assets of £6,236,000, its invoice finance facility, which is its core funding line and which is classed as evergreen in that it will continue to run indefinitely, and the Group's forecasts for the next 15 months, that the going concern basis of preparation is appropriate and the directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

**Financial risk management objectives and policies**

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

The Group does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The Group's approach to financial risks is set out in note 22.

**Directors' responsibilities**

The directors are responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group accounts have been prepared in accordance with IFRSs as adopted by the European Union, and the Parent Company accounts have been prepared under UK GAAP, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Website publication**

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

By order of the Board

23 February 2020

S L Dye  
Secretary

## Corporate governance statement

For the year ended 31 December 2019

### Statement by the Chairman on Corporate Governance

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

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

### The Board

The Board comprises a Chairman, the Chief Executive, the Group Finance Director and one independent non-executive Director. It is intended that the Board will evolve as the Group grows to include at least two independent non-executive directors.

The Board meets 12 times a year. In 2019 each Board member attended the following number of Board meetings: W J C Douie [12], A M Pendlebury [12], S L Dye [12] and B W May [11]. The Executive Chairman spends an average of 7 days per month occupied with Company matters and is available as required. The Chief Executive and the Group Finance Director are engaged full-time and the senior independent non-executive Director is required to spend two days per month considering Company matters and attending the monthly Board meeting.

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

#### W J C Douie, Chairman

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

#### A M Pendlebury, Chief Executive

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

#### S L Dye, Group Finance Director

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

joined Staffline Group Plc as Group Financial Controller. Sarah was appointed Group Finance Director of RTC Group in February 2013.

#### **B W May, Senior Independent Non-Executive Director**

Brian is a Chartered Civil Engineer and progressed his career in Tarmac Construction Ltd, subsequently holding several senior positions in Mowlem Plc over the course of 15 years. In 2000, Brian became Chief Executive of Laing Construction Plc, followed by HBG Construction Ltd in 2001. Brian held the position of Chief Executive Officer of Renew Holdings for 11 years until his retirement in 2016. Brian was appointed senior independent non-executive in 2015. Brian is independent in that he has no related party interest in the business and does not receive profit share.

#### **Board matters**

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

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

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

#### **Corporate culture**

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

#### **Board performance**

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

#### **Succession planning**

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

#### **Company secretary**

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

#### **Board Committees**

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

The remuneration committee is responsible for determining the contract terms, remuneration and other benefits for executive directors, including performance-related bonus schemes. The committee comprises W J C Douie and B W May. It is chaired by W J C Douie and meets as required but a minimum of once a year. Both committee members attended the meetings held in 2019. No members of the remuneration

committee are involved in determining their own remuneration. There are plans to evolve the Company's governance structure so that the remuneration committee has an independent chair.

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

#### Engagement with shareholders

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

Type of shareholder	% of total issued share capital
Directors	21.7%
Employee Benefit Trust	2.6%
Institutional Investors	6.8%
Brokers, individuals and other	68.9%

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

W J C Douie  
Chairman

23 February 2020

## Audit committee report

For the year ended 31 December 2019

### Audit committee responsibilities

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

### Audit committee membership

The audit committee comprises W J C Douie and B W May. It is chaired by W J C Douie and meets twice a year. Both committee members attended each meeting in 2019.

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

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

### Risk and internal control

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

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

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

- **Management structure**  
The Board has overall responsibility for the Group and there is a schedule of matters specifically reserved for decision by the Board;
- **Quality and integrity of personnel**  
The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are an essential part of the control environment;
- **Identification of business risks**  
The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate courses of action to manage those risks. The boards of our Group businesses also actively identify risks and ensure mitigating controls are in place;
- **Budgetary process**  
Each year the Board approves the annual budget. Key risk areas are identified, performance is monitored, and relevant action taken throughout the year through the monthly reporting to the Board of variances from the budget and preparation of updated forecasts for the year together with information on the key risk areas; and
- **Authorisation procedures**  
Capital and revenue expenditure is regulated by a budgetary process and authority limits for approval of expenditure are in place. For expenditure beyond specified levels, detailed written proposals are submitted to and approved by the Board. Once authorised, such expenditure is reviewed and monitored by the Board.

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



**External audit**

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

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

To safeguard the objectivity and independence of the external auditor, the audit committee monitors the external auditor's proposed scope of work and the value of fees paid. In the year to 31 December 2019, audit fees for the Group totalled £65,000 (2018: £56,500), with additional non-audit fees of £18,233 (2018: £22,400). The audit committee can confirm that they are satisfied that BDO continues to be independent.

This report was approved by the Audit Committee and the Board on 23 February 2020 and signed on its behalf by:

W J C Douie  
Chairman of the Audit Committee

## Remuneration report

For the year ended 31 December 2019

### Policy on executive directors' remuneration

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

### Executive directors' remuneration

The remuneration package for executive directors comprises:

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

The individual components of the remuneration package are discussed below.

#### Basic salary

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

#### Pensions

For the year ended 31 December 2019, the Company contributed £6,000 to the pension of S L Dye.

#### Other benefits

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

#### Performance related bonuses

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

#### Share based incentives

##### *Share options*

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

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

##### *RTC Group long-term incentive plan (LTIP)*

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

#### Awards under the LTIP

In 2019, no awards under the LTIP were made to executive directors.

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

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

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

#### **Service contracts**

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

#### **Non-executive directors' remuneration and terms of service**

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

This report was approved by the Remuneration Committee and the Board on 23 February 2020 and signed on its behalf by:

W J C Douie  
Chairman

23 February 2020

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

### Opinion

We have audited the financial statements of RTC Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

### Key audit matters

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

Key audit matter	How we addressed the matter in our audit
<p><b>Revenue and profit recognition – temporary placements</b></p> <p>The Group generates revenue from the provision of recruitment activities, which consists of revenue from temporary and permanent placements. The accounting policy is described in note 3.1 on page 40, with further analysis of the Group's revenue included in note 5 on page 47.</p> <p>For temporary placements, revenue is recognised over time as the service is provided and requires judgement in estimating the time worked by contractors but not approved by customers at the statement of financial position date. This involves estimating the amount of costs accruing to these contractors which then determines the corresponding revenue which should be recognised.</p> <p>In view of the judgments involved and the significance of these matters to the determination of the completeness of Group revenue, we consider this to be an area giving rise to a significant risk of material misstatements in the financial statements.</p>	<p>We have critically assessed the appropriateness of the revenue and cost recognition policies and considered whether they are in accordance with relevant Accounting Standards.</p> <p>We performed substantive audit procedures that included inspecting a sample of timesheets, placement contracts, customer approvals and contractor costs to check that the costs and associated revenue had been recognised in the correct period and were reflective of the timing of the services provided.</p> <p>We also performed testing, on a sample basis, of the timesheets and customer approvals received subsequent to the year end, comparing these to the amounts accrued in order to identify any material errors or omissions in the costs and associated revenue recorded at year end.</p> <p>We tested the subsequent collection of trade receivables and the amounts invoiced in respect of contract assets recognised at 31 December 2019, on a sample basis, to identify any matters which might be indicative of issues with the existence of revenue.</p> <p>We also agreed a sample of manual journals posted to revenue to supporting documentation to check they were appropriately recorded.</p> <p><i>Key observations</i></p> <p>Based on the work performed, we consider that temporary placement revenue and the related profit has been recognised appropriately.</p>

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

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and forming our opinions.

#### *Materiality*

Materiality is assessed as the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £90,000 (2018 - £95,000), which was based on 5% of profit before tax. Profit before tax is considered an appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance.

Materiality for the Parent Company was set at £86,000 (2018 – £90,000) using a benchmark of 2% of total assets, capped by reference to group materiality. Total assets is considered an appropriate benchmark as the main purpose of the Parent Company is to hold the investments in subsidiaries.

#### *Performance materiality*

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Performance materiality was originally set at 75% (2018 – 75%) of Group and Parent Company materiality, being £67,500 (2018 - £71,250) and £64,500 (2018 - £ 67,500) respectively. These levels continued to be applied in determining the testing approach and sample sizes.

#### *Reporting threshold.*

This is the amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £4,500 (2018 - £4,750), which was set at 5% of Group materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

#### *Component materiality*

Our audit work on each of the significant component audits were executed at levels of materiality applicable to each individual entity, which were lower than Group materiality. Component materiality ranged from £34,000 to £86,000 ranging between 38% and 95% of Group materiality. Performance materiality of 75% (2018 – 75%) of component materiality has been applied at each component level.

We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

### **An overview of the scope of our audit**

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

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

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

The Group engagement team carried out statutory audits for all of the UK trading companies in the Group, of which three were considered to be significant components. The dormant companies and the overseas trading subsidiary were not assessed as significant components. Therefore, the audit procedures we performed were limited to analytical review and discussions with Group management.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, within the Directors' report set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to

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

liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Andrew Mair** (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Nottingham

United Kingdom

23 February 2020

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



## Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>Revenue</b>	3.1,4,5	<b>94,949</b>	87,806
Cost of sales		<b>(80,475)</b>	(73,908)
<b>Gross profit</b>		<b>14,474</b>	13,898
Administrative expenses		<b>(12,513)</b>	(11,918)
<b>Profit from operations</b>	6	<b>1,961</b>	1,980
Finance expense	8	<b>(203)</b>	(121)
<b>Profit before tax</b>		<b>1,758</b>	1,859
Tax expense	9	<b>(390)</b>	(419)
<b>Total profit and other comprehensive income for the period attributable to owners of the Parent</b>		<b>1,368</b>	1,440
<b>Earnings per ordinary share</b>			
Basic	10	<b>9.60p</b>	10.20p
Fully diluted	10	<b>8.59p</b>	9.36p

The following notes 1 to 27 form an integral part of these financial statements

## 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 (note 11)	-	-	-	-	-	(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

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

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

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

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

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

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

The following notes 1 to 27 form an integral part of these financial statements

The consolidated statement of changes in equity for the prior period was 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
Balance at 1 January 2018	146	120	(473)	50	215	3,993	4,051
Total comprehensive income for the year	-	-	-	-	-	1,440	1,440
Transactions with owners:							
Dividends (note 11)	-	-	-	-	-	(512)	(512)
Share options exercised	-	-	181	-	(76)	(88)	17
Share based payment charge	-	-	-	-	240	-	240
Total transactions with owners	-	-	181	-	164	(600)	(255)
At 31 December 2018	146	120	(292)	50	379	4,833	5,236

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

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

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

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

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

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

The following notes 1 to 27 form an integral part of these financial statements

**Consolidated statement of financial position**

As at 31 December 2019

	Note	2019 £'000	2018 Restated (refer to note 27) £'000
<b>Assets</b>			
<b>Non-current</b>			
Goodwill	12	132	132
Other intangible assets	13	234	306
Property, plant and equipment	14	1,680	1,648
Right of use assets	23	3,044	-
Deferred tax asset	15	95	66
		<b>5,185</b>	2,152
<b>Current</b>			
Inventories	16	10	8
Trade and other receivables	17	15,809	15,811
Cash and cash equivalents		798	1,546
		<b>16,617</b>	17,365
<b>Total assets</b>		<b>21,802</b>	19,517
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	18	(8,493)	(7,863)
Lease liabilities	23	(282)	-
Corporation tax		(296)	(261)
Current borrowings	18	(3,570)	(6,093)
		<b>(12,641)</b>	(14,217)
<b>Non-current liabilities</b>			
Lease liabilities	23	(2,855)	-
Deferred tax liabilities	19	(70)	(64)
<b>Net assets</b>		<b>6,236</b>	5,236
<b>Equity</b>			
Share capital	20	146	146
Share premium		120	120
Own shares held		(264)	(292)
Capital redemption reserve		50	50
Share based payment reserve		557	379
Retained earnings		5,627	4,833
<b>Total equity</b>		<b>6,236</b>	5,236

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 23 February 2020 by:

A M Pendlebury  
Director

S L Dye  
Director

The following notes 1 to 27 form an integral part of these financial statements

## Consolidated statement of cash flows

For the year ended 31 December 2019

	Note	2019 £'000	2018 (restated refer to note 27) £'000
<b>Cash flows from operating activities</b>			
Profit before tax		1,758	1,859
Adjustments for:			
Depreciation, loss on disposal and amortisation		693	412
Finance expense		203	121
Employee equity settled share options charge		194	240
Change in inventories		(2)	(2)
Change in trade and other receivables		(18)	(2,739)
Change in trade and other payables		629	1,553
<b>Cash inflow from operations</b>		<b>3,457</b>	<b>1,444</b>
Income tax paid		(378)	(320)
Interest paid		(203)	(121)
<b>Net cash inflow from operating activities</b>		<b>2,876</b>	<b>1,003</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangibles		(314)	(504)
Proceeds from asset disposals		20	-
<b>Net cash used in investing activities</b>		<b>(294)</b>	<b>(504)</b>
<b>Cash flows from financing activities</b>			
Movement on invoice discounting facility		(1,821)	(73)
Movement on perpetual bank overdrafts		(75)	195
Dividends paid		(563)	(512)
Payment of lease liabilities		(246)	-
Proceeds from exercise of share options		2	17
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(2,703)</b>	<b>(373)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(121)</b>	<b>126</b>
Cash and cash equivalents at beginning of period		919	793
Cash and cash equivalents at end of period	21	798	919

The following notes 1 to 27 form an integral part of these financial statements

## Notes to the Group financial statements

For the year ended 31 December 2019

### 1. Basis of preparation

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

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

The financial statements have been prepared under the historical cost convention, as modified by measurement of share-based payments at fair value at date of grant, and in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The Group has made a pre-tax profit of £1,758,000 (2018: £1,859,000) from continuing operations and the directors have taken this into account when assessing the going concern basis of preparation. The directors are satisfied that, taking account of the Group's net assets of £6,236,000 (2018: £5,236,000), its invoice finance facility, which is its core funding line and which is classed as evergreen in that it will continue to run indefinitely, and the Group's trading and cash forecasts for the next 15 months, that the going concern basis of preparation is appropriate.

### Adoption of standards

#### New accounting standards and interpretations

The Group has adopted the following new standards and interpretations (effective 1 January 2019) in these financial statements:

**IFRS 16 Leases** sets out the principles for recognition, measurement and presentation of leases and replaces IAS 17 Leases. Adoption of IFRS 16 has resulted in the Group recognising right of use assets and lease liabilities for all qualifying contracts that are, or contain, a lease. Instead of recognising an operating expense for its operating lease payments, the Group has recognised interest on its lease liabilities and amortisation on its right of use assets, impacting profit from operations and the finance expense. The standard contains several options and exemptions which are available at initial adoption. The Group has applied the modified retrospective transition method and adopted certain practical expedients, such that the right of use asset recognised at the 1 January 2019 was £3.3m, together with a corresponding lease obligation of £3.3m. The impact on profit before tax for the Group for the year ended 31 December 2019 was not material and there was no impact on opening equity at 1 January 2019 (refer note 26).

**IFRIC 23 Uncertainty over Income Tax Treatments.** IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Board has reviewed the implications of IFRIC 23 and determines that there is no material impact on the Group as the Group does not have any current or deferred income tax assets or liabilities where the tax treatment is uncertain.

**Amendments to IFRS 9 Prepayment Features with Negative Compensation.** The IASB has issued these amendments to IFRS 9 Financial Instruments to aid implementation. The amendment allows companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit and loss. The Board has reviewed this amendment and determined that the Group has no such financial instruments, thus there is no impact on the Group of this amendment.

Amendments to **IAS 12 Income Taxes** – Annual Improvements to IFRSs (2015-2017). The amendment clarifies that the income tax consequences of any dividends must be recognised at the same time as the liability to pay those dividends; and in profit or loss, other comprehensive income or the statement of changes in equity according to where the entity originally recognised the past transactions that generated the distributable profits. The Board has reviewed the implications of this amendment and determined that it should have no material impact on the Group.

The Board does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

## 2. Critical accounting estimates and judgements

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

### Estimates and assumptions

#### *Equity settled share-based payment liabilities*

The estimation of the probability of the vesting conditions attached to share options granted to employees being met is used to calculate the quantum of the employee equity settled share options charge. There is an element of judgement included in this calculation, with the Group also considering historical experience and future expectations.

#### *Temporary placements*

Revenue from temporary placements is calculated by reference to hours worked and pay rates and is based on weekly timesheets submitted by operatives and there can be delays in the submission and approval of timesheets. An estimate is therefore made of the value of the liabilities in respect of timesheets that are yet to complete the submission and approval process and the associated revenue earned at 31 December 2019. Further details of the related contract assets are included in note 5.

### Estimates and judgements

#### *Lease liability and right of use assets*

The weighted average incremental borrowing rate used to measure the lease liability at initial application was 3.35% (land and buildings) and 5% (motor vehicles). These rates have been used as being representative of current open market borrowing rates for each type of asset respectively. A +/-1 % change in the weighted average incremental borrowing rate used to measure the initial lease liability would have an impact of +/- £200,000 on the total right of use asset value.

The Group sometimes negotiates break clauses in its property leases. At 31 December 2019 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it is considered reasonably certain that the Group will not exercise its right to break any lease and there are no material break clauses.

#### *Contracts with customers*

The Group has one contract whereby there is a guaranteed minimum revenue over the life of the contract rather than for any one financial year. It is the view of the Group that the minimum amount will be reached through services provided over the life of the contract and, as such, there is no additional variable revenue requiring recognition at 31 December. Please refer to the revenue recognition policy in 3.1 and as further explained in note 5.

## 3. Accounting policies

The principal accounting policies, which reflect the adoption of the new accounting standards set out in 1 above, are listed below:

### 3.1 Revenue

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

#### **Performance obligations and timing of revenue recognition**

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

The Group has a number of arrangements or contracts with its customers under which services are provided. Permanent and temporary staff are provided both under the auspices of a "preferred supplier" and under framework agreements. Neither of these arrangements confer any minimum volume commitments, rather individual orders are placed as resources are required with both parties working to the terms set out within the preferred supplier or framework agreement. The Group also has contracts to supply temporary workers whereby a contract has been signed and there is a minimum volume commitment over a period of time.

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

#### **Revenue from permanent placements**

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

#### **Revenue from temporary placements**

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

#### **Other revenue**

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

### 3.2 Basis of consolidation

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

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



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

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

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

### 3.3 Goodwill

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

### 3.4 Own shares held

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

### 3.5 Intangible assets

#### Assets acquired as part of a business combination

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

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

#### Customer lists

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

When acquired in 2014 the estimated life of the customers lists was five years. During the year, following a review of the current customers, a change in the accounting estimate was made with the useful life of the customer lists obtained through the acquisition of RIG Energy being extended a further five years effective from 1 January 2019. The assessment was based on the ongoing and expected future strength of the customer relationships (refer to note 13).

**Software**

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

**3.6 Property, plant and equipment**

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

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

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

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

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

**3.7 Impairment of assets**

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

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

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

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

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

**3.8 Inventories**

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

### 3.9 Leases

#### *Revised accounting policy for leases and right of use assets adopted in 2019*

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

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

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

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

#### *Previous accounting policy for operating leases*

Rentals payable under operating leases were charged to the profit for the period on a straight-line basis over the term of the lease. Operating lease incentives were credited to the profit or loss over the period of the lease term on a straight-line basis. Mid-term lease renewals were treated as new leases, with any previously accrued or deferred incentives released where the terms of a new lease were at market rates. For renewals which were not at market rates, the previously deferred or accrued incentives were accounted for within the terms of the new lease.

### 3.10 Income taxes

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

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

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

### 3.11 Deferred tax

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

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

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

### 3.12 Retirement benefit

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

### 3.13 Share-based payments

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

### 3.14 Trade payables

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

### 3.15 Trade receivables

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

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

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

### 3.16 Cash and cash equivalents

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

### 3.17 Borrowings

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

#### *Financial liabilities*

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

### 3.18 Foreign currencies

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

### 3.19 Share capital and dividends

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

## 4. Segment reporting

#### *Factors that management used to identify the Group's reportable segments*

As a result of the operational integration of ATA and Ganymede during 2019, as explained in the CEO's report, the Group has reviewed the determination of its operating segments. This has resulted in the business being split into three operating segments, with recruitment being split by geographical area rather than by statutory entity. 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.

The comparative segmental information has been restated to reflect the changes made in 2019.

#### *Operating segments*

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:

	Year ended 31 December 2019				Year ended 31 December 2018			
	UK Recruitment	UK Central Services	Inter- national Recruitment	Total Group	UK Recruitment	UK Central Services	Inter- national Recruitment	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	76,526	1,864	16,559	94,949	71,305	1,696	14,805	87,806
Cost of sales	(64,680)	(1,010)	(14,785)	(80,475)	(60,108)	(824)	(12,976)	(73,908)
<b>Gross profit</b>	<b>11,846</b>	<b>854</b>	<b>1,774</b>	<b>14,474</b>	<b>11,197</b>	<b>872</b>	<b>1,829</b>	<b>13,898</b>
Administrative expenses	(7,852)	(3,269)	(701)	(11,822)	(7,368)	(3,222)	(917)	(11,507)
Amortisation of intangibles	(85)	-	-	(85)	(182)	-	-	(182)
Depreciation of right of use assets	(125)	(214)	-	(339)	-	-	-	-
Depreciation	(93)	(170)	(4)	(267)	(79)	(146)	(4)	(229)
<b>Total administrative expenses</b>	<b>(8,155)</b>	<b>(3,653)</b>	<b>(705)</b>	<b>(12,513)</b>	<b>(7,629)</b>	<b>(3,368)</b>	<b>(921)</b>	<b>(11,918)</b>
<b>Profit from operations</b>	<b>3,691</b>	<b>(2,799)</b>	<b>1,069</b>	<b>1,961</b>	<b>3,568</b>	<b>(2,496)</b>	<b>908</b>	<b>1,980</b>

The revenue reported above is generated from continuing operations with external customers. There were no sales between segments in the year (2018: Nil).

For segment reporting purposes in this note 4, revenue is analysed by the geographical location in which the services are delivered. Revenue is further analysed by point of invoicing in note 5.

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

During 2019, one customer in the UK segment contributed 10% or more of total revenue being £31.3m (2018: £21.4m) and one customer in the International segment also contributed 10% or more of total revenue being £16.5m (2018: £14.0m).

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Permanent placements	2,819	3,588	2,819	3,588
Contract	90,266	82,522	10,801	9,438
Other	1,864	1,696	854	872
	<b>94,949</b>	<b>87,806</b>	<b>14,474</b>	<b>13,898</b>

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

## 5. Revenue from contracts with customers

### Disaggregation of revenue

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

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

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

	Year ended 31 December 2019				Year ended 31 December 2018			
	UK Recruitment £'000	UK Central Services £'000	International recruitment £'000	Total £'000	UK Recruitment £'000	UK Central Services £'000	International Recruitment £'000	Total £'000
Geographic point of invoicing:								
UK	76,526	1,864	16,503	94,893	71,305	1,696	14,017	87,018
USA	-	-	56	56	-	-	788	788
	76,526	1,864	16,559	94,949	71,305	1,696	14,805	87,806
Revenue by product type:								
Permanent placements	2,754	-	65	2,819	2,800	-	788	3,588
Temporary placements	73,772	-	16,494	90,266	68,505	-	14,017	82,522
Other	-	1,864	-	1,864	-	1,696	-	1,696
	76,526	1,864	16,559	94,949	71,305	1,696	14,805	87,806
Contract counterparties B2B	76,526	1,864	16,559	94,949	71,305	1,696	14,805	87,806
Timing of transfer of services:								
Point in time (start date for permanent placements)	2,754	-	65	2,819	2,628	172	788	3,588
Over time (with invoices raised periodically over the term of the contract placement)	73,772	-	16,494	90,266	68,505	-	14,017	82,522
Point in time (having provided the service for other revenue streams)	-	1,864	-	1,864	-	1,696	-	1,696
	76,526	1,864	16,559	94,949	71,133	1,868	14,805	87,806

**Contract balances**

	<b>Contract assets 2019 £'000</b>	Contract assets 2018 £'000	<b>Contract liabilities 2019 £'000</b>	Contract liabilities 2018 £'000
At 1 January	<b>1,706</b>	1,612	<b>(40)</b>	(44)
Transfers in the period from contract assets to trade receivables	<b>(1,706)</b>	(1,441)	-	-
Excess of revenue recognised over amounts invoiced (or rights to cash) being recognised during the period	<b>2,175</b>	1,535	-	-
Movement in amounts included in contract liabilities that were invoiced but not recognised as revenue during the period	-	-	<b>(40)</b>	4
At 31 December	<b>2,175</b>	1,706	<b>(80)</b>	(40)

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

Following clarification of the definition of contract liabilities the comparative figures have been represented and an amount of £1,910,000 has been transferred to accruals at 31 December 2018 (2017 £1,470,000).

**Remaining performance obligations**

The majority of the Group's contracts with customers are for the delivery of services within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies (i.e. remaining performance obligations are not required to be disclosed). In addition, services are principally supplied under framework or preferred supplier agreements such that the amount of future revenue cannot be quantified. However, the Group has one contract whereby the customer has guaranteed to pay for a minimum number of shifts over the three-year life of the contract. It is the view of the Group that the minimum amount will be reached as actual services are provided during the contract period and as such revenue is recognised as services are provided, consistent with the revenue recognition policy. At the 31 December 2019 the amount of revenue that will be recognised in future periods (2020-21) relating to this contract was in the region of £8.2m (2018: £9.8m).

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



**6. Profit on Group operations**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Profit on Group operations for the year is stated after charging/(crediting):		
Loss on asset disposals	<b>2</b>	3
Depreciation of owned property, plant and equipment	<b>267</b>	228
Amortisation of intangibles	<b>85</b>	181
Depreciation of right of use assets	<b>339</b>	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<b>26</b>	20
Fees payable to the Company's auditor for other services:		
- the audit of the Company's subsidiaries pursuant to legislation	<b>39</b>	36
- tax compliance	<b>8</b>	10
- other non-audit services	<b>10</b>	11
Operating lease expense in respect of land and buildings	-	576
Expenses relating to short-term leases	<b>317</b>	-
Foreign exchange differences	<b>(7)</b>	(32)
Share based payments	<b>194</b>	240
Release of creditor on change of lease at the Derby site <sup>1</sup>	-	(418)
Customer remediation costs <sup>2</sup>	-	126

<sup>1</sup>In 2018 a new lease was entered into in respect of the Derby site and, in accordance with the accounting policy on leases in 2018 (note 3.9), the total cost of the lease accrued because rentals were charged evenly over the life of the lease (meant that the profit and loss charges in the early years were higher than the actual invoiced cost as there was an initial two-year rent free period) was released.

<sup>2</sup>Customer remediation costs represented the cost of a settlement reached with a client over the interpretation of terms of business.

**7. Directors and employees' remuneration**

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

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Wages and salaries	<b>8,043</b>	7,655
Social security costs	<b>846</b>	838
Other pension costs	<b>403</b>	320
	<b>9,292</b>	8,813

As at 31 December 2019 there were pension contributions of £170,219 (2018: £76,570) outstanding.

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

	<b>Number</b>	Number
	<b>2019</b>	2018
Sales and administration staff	<b>163</b>	157
Conference support staff	<b>57</b>	57
	<b>220</b>	214

**Directors' remuneration**

The remuneration of the directors was as follows:

	Salary	Bonus	Benefits in kind	Sub-total	Pension contributions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
W J C Douie	65	51	6	122	-	122
A M Pendlebury	260	320	13	593	-	593
S L Dye	178	127	15	320	6	326
B W May	30	-	-	30	-	30
<b>Total</b>	<b>533</b>	<b>498</b>	<b>34</b>	<b>1,065</b>	<b>6</b>	<b>1,071</b>

Employers NI of £147,798 was paid in respect of remuneration above.

The information for the prior reporting period is as follows:

	Salary	Bonus	Benefits in kind	Sub-total	Pension contributions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
W J C Douie	65	75	6	146	-	146
A M Pendlebury*	260	207	15	482	-	482
S L Dye	160	154	14	328	24	352
B W May	30	-	-	30	-	30
<b>Total</b>	<b>515</b>	<b>436</b>	<b>35</b>	<b>986</b>	<b>24</b>	<b>1,010</b>

Employers NI of £154,008 was paid in respect of remuneration above.

**Share based employee remuneration**

Total share-based payment charges in the year were £194,000 (2018: £240,000) of which £181,881 (2018: £185,442) was charged in respect of options granted to directors.

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

	Number	Weighted average exercise price (pence) 2019	Number	Weighted average exercise price (pence) 2018
Outstanding at start of period	2,176,605	5	1,576,788	6
Granted	-	-	908,407	3
Lapsed	-	-	50,036	-
Exercised	40,000	4	258,554	7
<b>Outstanding at end of period</b>	<b>2,136,605</b>	<b>5</b>	<b>2,176,605</b>	<b>5</b>

The company operates two share option plans: the EMI 2001 Share Option Scheme and the Long-Term Incentive Plan 2015 ("LTIP").

40,000 options were exercised during the year and own shares held in the EBT were used to satisfy this demand (2018: 258,554). No options were issued during the year.

The directors determined the volatility for options issued in the previous financial year using computations based on historical share prices, to be as follows:

Date of grant	23 Mar 18	6 Nov 2018
Market value at date of grant	56.5p	52.5p
Exercise price	Nil	52.5p
Expected volatility	50%	50%
Expected dividend yield	6.8%	7.3%
Risk free interest rate	1.4%	1.4%

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

Date exercisable (and option life)	Number	Weighted average exercise price (pence) 2019	Weighted average fair value at date of grant (pence) 2019	Weighted average contractual life months) 2019	Number	Weighted average exercise price (pence) 2018	Weighted average fair value at date of grant (pence) 2018	Weighted average contractual life (months) 2018
2016 (up to 2023)	-	-	-	-	10,000	16	3	60
2017 (up to 2024)	255,000	29	6	51	255,000	29	6	63
2018 (up to 2025)	281,412	-	53	65	296,412	-	53	77
2019 (up to 2026)	407,500	-	60	75	422,500	-	59	87
2020 (up to 2027)	284,286	-	44	88	284,286	-	44	100
2021 (up to 2028)	908,407	3	44	99	908,407	3	44	111

The exercise prices of options range from nil to 25.5p, 38.0p and 52.5p. At the end of the period 943,912 options were exercisable (2018: 561,412).

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

	At 1 January 2019	Granted	Exercised	At 31 December 2019	Date of last grant	Exercise price
<b>EMI Options</b>						
S L Dye	110,000	-	-	110,000	22 May 2015	Nil
<b>LTIP Options</b>						
W J C Douie	193,615	-	-	193,615	23 Mar 2018	Nil
A M Pendlebury	933,749	-	-	933,749	23 Mar 2018	Nil
S L Dye	569,259	-	-	569,259	23 Mar 2018	Nil

The market value and number of directors' share options vesting in the period was £241,500 (402,500 shares) (2018: £119,000 (234,286 shares)). The aggregate gains made by directors on exercising share options was £Nil (2018: £28,868).

The market value and number of the highest paid directors' share options vesting in the period was £135,000 (225,000 shares) (2018: £65,571 (128,572 shares)). The aggregate gains made by the highest paid director on exercising share options was £Nil (2018: £Nil).

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

	At 1 January 2018	Granted	Exercised	At 31 December 2018	Date of grant	Exercise price
<b>EMI Options</b>						
W J C Douie	75,000	-	(75,000)	-	27 Jan 2012	9p
S L Dye	110,000	-	-	110,000	22 May 2015	Nil
<b>LTIP Options</b>						
W J C Douie	107,143	115,044	(28,572)	193,615	23 Mar 2018	Nil
A M Pendlebury	473,572	460,177	-	933,749	23 Mar 2018	Nil
S L Dye	286,073	283,186	-	569,259	23 Mar 2018	Nil

#### Awards under EMI 2001 Share Option Scheme

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

#### Awards under the LTIP

There were no awards under the LTIP in 2019. Vesting of the awards is subject to the achievement of the performance criteria of the LTIP. Awards will vest and may be exercised on the third anniversary of the date of grant to the extent that the performance conditions detailed in the following table are met:

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

#### 8. Finance expense

	2019 £'000	2018 £'000
Interest charge on invoice discounting arrangements and overdrafts	101	121
Interest expense on lease liabilities	102	-
	203	121

#### 9. Tax expense

	2019 £'000	2018 £'000
<b>Continuing operations</b>		
<b>Current tax</b>		
UK corporation tax	402	367
Adjustments in respect of previous periods	11	38
	413	405
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(23)	14
Tax	390	419

**Factors affecting the tax expense**

The tax assessed for the year is higher than (2018: higher than) would be expected by multiplying the profit by the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

Factors affecting tax expense	2019	2018
	£'000	£'000
Result for the year before tax	1,758	1,859
Profit multiplied by standard rate of tax of 19% (2018: 19%)	334	353
Non-deductible expenses	86	87
Tax credit on exercise of options	(5)	(25)
Other differences	(36)	(34)
Adjustment in respect of previous periods	11	38
	<b>390</b>	419

**Factors that may affect future tax charges**

On 16 March 2016, the Chancellor of the Exchequer announced that legislation would be introduced in the Finance Act 2016 to reduce the main rate of corporation tax to 17% from 1 April 2020, superseding the 19% rate that has been effective from 1 April 2017. The provision for deferred tax in the financial statements has been based upon the rate relevant when the timing differences are expected to reverse.

**10. Basic and fully diluted earnings per share**

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

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

	Basic		Fully diluted	
	2019	2018	2019	2018
Earnings £'000	1,368	1,440	1,368	1,440
Basic weighted average number of shares	14,254,557	14,114,625	14,254,557	14,114,625
Dilutive effect of share options	-	-	1,676,094	1,263,737
Fully diluted weighted average number of shares	-	-	15,930,651	15,378,362
Earnings per share (pence)	9.60p	10.20p	8.59p	9.36p

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

**11. Dividends**

	2019	2018
	£'000	£'000
Final dividend of 2.55p per share (2018: 2.3p) proposed and paid during the year relating to the previous year's results.	363	327
Interim dividend of 1.4p per share (2018: 1.3p).	200	185
	<b>563</b>	512

A final dividend of £393,760 (2018: £362,780) has been proposed but has not been accrued within these financial statements. This represents a payment of 2.76p (2018: 2.55p) per share.

**12. Goodwill**

<b>Gross carrying amount</b>	<b>2019</b>	2018
	<b>£'000</b>	£'000
At 1 January	<b>132</b>	132
Movement in year	-	-
<b>At 31 December</b>	<b>132</b>	132

Goodwill above relates to the following acquisition:

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

The directors have considered the carrying value of the goodwill and the related cash generating unit to which it belongs by looking at discounted future cash flows using a discount rate of 13%. This has confirmed that no impairments are required.

**13. Other intangible assets**

The Group's other intangible assets comprise:

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

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

	<b>Customer lists</b>	<b>Software and licences</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Gross carrying amount</b>			
<b>At 1 January 2019</b>	<b>673</b>	<b>310</b>	<b>983</b>
External additions	-	13	13
<b>At 31 December 2019</b>	<b>673</b>	<b>323</b>	<b>996</b>
<b>Amortisation</b>			
<b>At 1 January 2019</b>	<b>537</b>	<b>140</b>	<b>677</b>
Provided in year	27	58	85
<b>At 31 December 2019</b>	<b>564</b>	<b>198</b>	<b>762</b>
<b>Net book amount at 31 December 2019</b>	<b>109</b>	<b>125</b>	<b>234</b>
Net book amount at 31 December 2018	136	170	306

During the year there was a change in accounting estimate and the useful life of the customer lists obtained through the acquisition of RIG Energy was reassessed as being five years, effective 1 January 2019, based on the ongoing and expected future strength of those customer relationships. The amount provided under the previous assessment would have been £130,000 (2018:130,000), the amount provided in the year under the revised life was £27,000.

The carrying amounts for the prior period are as follows:

	Customer lists £'000	Software and licences £'000	Total £'000
<b>Gross carrying amount</b>			
At 1 January 2018	673	295	968
External additions	-	15	15
<b>At 31 December 2018</b>	<b>673</b>	<b>310</b>	<b>983</b>
<b>Amortisation</b>			
At 1 January 2018	407	89	496
Provided in year	130	51	181
<b>At 31 December 2018</b>	<b>537</b>	<b>140</b>	<b>677</b>
<b>Net book amount at 31 December 2018</b>	<b>136</b>	<b>170</b>	<b>306</b>
<b>Net book amount at 31 December 2017</b>	<b>266</b>	<b>206</b>	<b>472</b>

#### 14. Property, plant and equipment

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

	Short leasehold improvements £'000	Fixtures and office equipment £'000	Motor vehicles £'000	Capital work- in-progress £'000	Total £'000
<b>Cost</b>					
At 1 January 2019	1,564	1,632	8	100	3,304
Additions	-	282	-	19	301
Transfers	-	58	-	(58)	-
Disposals	-	(78)	-	-	(78)
<b>At 31 December 2019</b>	<b>1,564</b>	<b>1,894</b>	<b>8</b>	<b>61</b>	<b>3,527</b>
<b>Depreciation</b>					
At 1 January 2019	620	1,032	4	-	1,656
Charge for the year	73	192	2	-	267
Disposals	-	(76)	-	-	(76)
<b>At 31 December 2019</b>	<b>693</b>	<b>1,148</b>	<b>6</b>	<b>-</b>	<b>1,847</b>
<b>Net book amount</b>					
<b>At 31 December 2019</b>	<b>871</b>	<b>746</b>	<b>2</b>	<b>61</b>	<b>1,680</b>
At 31 December 2018	944	600	4	100	1,648

The carrying amounts for the prior period are as follows:

	Short leasehold improvements	Fixtures and office equipment	Motor vehicles	Capital work-in- progress	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 2018	427	2,295	8	149	2,879
Additions	192	197	-	100	489
Transfers	945	(796)	-	(149)	-
Disposals	-	(64)	-	-	(64)
At 31 December 2018	1,564	1,632	8	100	3,304
<b>Depreciation</b>					
At 1 January 2018	427	1,038	4	-	1,469
Charge for the year	57	171	-	-	228
Transfers	136	(136)	-	-	-
Disposals	-	(41)	-	-	(41)
At 31 December 2018	620	1,032	4	-	1,656
<b>Net book amount</b>					
At 31 December 2018	944	600	4	100	1,648
At 31 December 2017	-	1,257	4	149	1,410

There is a charge over Group's fixed assets in respect of the Group's overdraft facility. There were no contractual capital commitments for the acquisition of property, plant and equipment at 31 December 2019 (2018: Nil).

#### 15. Deferred tax asset

	2019	2018
	£'000	£'000
At 1 January	66	84
Credit / (charge) to the profit for the year	29	(18)
At 31 December	95	66

The deferred tax asset is analysed as:

	2019	2018
	£'000	£'000
<b>Recognised</b>		
Provision in respect of tax losses carried forward	-	1
Short-term temporary timing differences relating to share based payments	95	65

The tax losses carried forward are £Nil (2018: £6,664). The losses in 2018 were fully recognised due to the certainty over the availability of future taxable income in the related trading subsidiary against which the asset can be utilised. Short-term temporary timing differences relating to share-based payments.

#### 16. Inventories

	2019	2018
	£'000	£'000
Food, drink and goods for resale	10	8

Stock recognised in cost of sales during the year as an expense was £215,254 (2018: £175,854).



## 17. Trade and other receivables

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

	2019 £'000	2018 £'000
Gross trade receivables	12,721	13,186
Less: provision for impairment of trade receivables	-	-
Net trade receivables	12,721	13,186
Contract assets	2,175	1,706
Total financial assets other than cash and cash equivalents classified at amortised cost	14,896	14,892
Other receivables	51	57
Prepayments	862	862
	<b>15,809</b>	<b>15,811</b>

**Movement in impairment allowance for trade receivables:**

At 1 January	-	92
Increase during year	-	-
Receivable written off in year as uncollectable	-	(30)
Unused amounts reversed	-	(62)
At 31 December	-	-

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

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

At 31 December 2019 the lifetime expected credit loss provision for trade receivables and contract assets is as follows:

£'000	Total	Current	Past due by 30 days or more	Past due by 60 days or more	Past due by 120 days or more
Expected loss rate		0.016%	0.016%	0.016%	0.016%
Gross carrying amount, £'000	14,896	14,254	334	104	204
Loss provision <sup>1</sup> , £'000	3	3	-	-	-

At 31 December 2018 the lifetime expected credit loss provision for trade receivables and contract assets is as follows:

£'000	Total	Current	Past due by 30 days or more	Past due by 60 days or more	Past due by 120 days or more
Expected loss rate		0.019%	0.019%	0.019%	0.019%
Gross carrying amount	14,892	6,187	4,968	3,679	58
Loss provision <sup>1</sup> , £'000	2	1	1	-	-

<sup>1</sup>Loss provision considered immaterial and therefore not provided. All gross carrying amounts relate to customers with no default history.

**18. Liabilities**

	2019	2018
	£'000	£'000
<b>Trade and other payables</b>		
Trade payables	2,011	1,632
Contract liabilities	80	40
Other taxes and social security costs	2,350	2,424
Other payables	1,076	993
Accruals	2,976	2,774
	<b>8,493</b>	<b>7,863</b>

At 31 December 2019 other payables included pension contributions amounting to £170,219 (2018: 77,000). The maturity of trade payables is between one and three months. The carrying value of trade payables approximates to the fair value.

The classification of contract liabilities at 31 December 2018 has been represented as explained in note 5.

	2019	2018 Restated (refer to note 27)
	£'000	£'000
<b>Current borrowings</b>		
Bank overdrafts	752	1,454
Invoice discounting arrangements	2,818	4,639
	<b>3,570</b>	<b>6,093</b>

The Group's bank overdrafts are secured by cross guarantees and debentures (fixed and floating charges over the assets of all the Group companies). The Group's bankers have a formal right of set-off and provides a net overdraft facility across the Group of £50,000 (2018: £50,000).

The Group also used its invoice financing facility that is secured over the Group's trade receivables of £12.7m. There have been no defaults of interest payable or unauthorised breaches of financing agreement terms during the current or prior year.

**19. Deferred tax liability**

	2019	2018
	£'000	£'000
At 1 January	64	68
Charge (credit) to the profit for the year	6	(4)
At 31 December	<b>70</b>	<b>64</b>
The deferred tax liability consists of:		
Other timing differences	53	42
Business combinations	17	22

**20. Share capital**

	2019	2018
	£'000	£'000
<b>Allotted, issued and fully paid – ordinary shares of 1p each:</b>		
As at 1 January 2019 14,643,707 shares (2018: 14,643,707 shares)	146	146
New shares issued Nil (2018: Nil)	-	-
As at 31 December 2019 14,643,707 shares (2018: 14,643,707 shares)	<b>146</b>	<b>146</b>

Of the total issued shares of 14,643,707, there are 377,027 (2018: 417,027) own shares held in the RTC Group Employee Benefit Trust. 40,000 options were exercised during the year and own shares held in the EBT were used to satisfy this demand (2018: 258,554).

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

	At 1 January 2019 restated (refer to note 27) £'000	Cash Flows £'000	At 31 December 2019 £'000
Cash and cash equivalents	919	(121)	798

The amounts presented as cash and cash equivalents within the consolidated statement of cash flows comprise cash and bank balances of £798,000 (2018: £1,546,000) net of overdrafts of nil (2018: £627,000) which are subject to formal offset arrangements and are therefore presented net. Overdrafts of £752,000 (2018: £827,000), which represent part of the core financing structure of the group, are included within financing cash flows

## 22. Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's risk management is coordinated by the Group Treasury function, in close co-operation with the Board. Treasury activities take place under procedures and policies approved and monitored by the Board. They are designed to minimise the financial risks faced by the Group.

The Group does not actively engage in the trading of financial assets for speculative purposes or utilise any derivative financial instruments. The most significant financial risks to which the Group is exposed are described below.

### Interest rate risk

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

	2019 £'000	2019 %	2018 £'000	2018 %
Increase /(decrease) in net result and equity £'000	+1% 62	-1% (62)	+1% 52	-1% (52)

The interest rate on the invoice discounting facility is 2.25% based on the year-end balance of £2,818,000 this gives an estimated annual interest charge for 2020 of £63,000.

### Liquidity risk

The Group seeks to mitigate liquidity risk by effective cash management. The Group's policy throughout the year has been to ensure the continuity of funding by using a net overdraft facility of £50,000 and an invoicing discount facility up to £9.0m as required. The invoice discounting facility revolves on an average maturity of 120 days and is repayable on demand.

### Credit risk

The Group extends credit to recognised creditworthy third parties. Trade receivable balances (note 17) are monitored to minimise the Group's exposure to bad debts. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. Independent credit ratings are used if available to set suitable credit limits. If there is no independent rating, the Board assesses the credit quality of the customer, considering its financial position, past-experience and other factors. The utilisation of credit limits is regularly monitored. At the year-end none of the trade receivable balances that were not past due

exceeded set credit limits and management does not expect any losses from non-performance by these counterparties. Further, the Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing.

It should be noted that there is a concentration of credit in respect of two customers whose revenues respectively make up 40% of the UK division and 99% of the International division. Debtor balances for these customers were £2.5m (2018: £2.1m) and £2.0m (2018: £2.2m) respectively at the end of the year. Both are blue chip clients that have never defaulted on any debts. Further the UK division customer is Government backed.

#### Foreign exchange risk

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

The Group has the financial assets as set out in notes 17 and 21. The Group's financial liabilities are as follows:

	2019	2018
	£'000	£'000
Trade payables	2,011	1,632
Accruals	2,976	2,774
Bank overdrafts	752	1,454
Invoice discounting	2,818	4,639
	<b>8,557</b>	<b>10,499</b>

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

## 23. Leases and right of use assets

#### Information about leases for which the Group is a lessee

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

	Land and buildings	Motor vehicles	Total
	£'000	£'000	£'000
Net book value of right of use assets			
Balance at 1 January 2019	3,272	72	3,344
Additions	-	39	39
Depreciation charge	(289)	(50)	(339)
Balance at 31 December 2019	<b>2,983</b>	<b>61</b>	<b>3,044</b>

**Lease liabilities**

	Land and buildings £'000	Motor vehicles £'000	Total £'000
<b>Net book value of lease liabilities</b>			
Balance at 1 January 2019	3,272	72	3,344
Additions	-	39	39
Interest expense	97	5	102
Lease payments	(283)	(65)	(348)
Balance at 31 December 2019	3,086	51	3,137

	2019 £'000
<b>Lease liabilities included in the statement of financial position</b>	
Current	282
Non-current	2,855
Total	3,137

	2019 £'000
<b>Amounts recognised in the consolidated statement of comprehensive income</b>	
Interest on lease liabilities	102
Expenses relating to short-term leases	317
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	-
Total	419

	2019 £'000
<b>Maturity analysis - contractual undiscounted cashflows</b>	
Within 1 year	336
Between 2 and 5 years	1,326
Over 5 years	2,254
Total	3,916

	2019 £'000
<b>Amounts recognised in the consolidated statement of cash flows</b>	
Interest payments	102
Payment of lease liabilities	246
Total cash outflow for leases	348

**Sensitivity**

It is customary for land and buildings lease contracts to be periodically uplifted to market value, although some leases have future increases fixed at the outset. Contracts for the lease of a vehicle comprise only fixed payments over the lease term. All land and building lease contracts held by the Group also have fixed payments.

The following comparative amounts for 2018 represent the non-cancellable operating lease rentals under IAS 17:

	2018 £'000
Within 1 year	393
Between 2 and 5 years	1,060
Over 5 years	2,696
Total	4,149

The leasing arrangements are for the Derby Conference Centre and office space for the Group Head Office in Derby and a network of regional offices.

**Information about leases for which the Group is the lessor**

As at the balance sheet date £329,000 (2018: £431,000) is expected to be received under non-cancellable operating sub-leases. Split as follows:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Within 1 year	<b>203</b>	184
Between 2 and 5 years	<b>126</b>	247
<b>Total</b>	<b>329</b>	431

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

**24. Related party transactions**

There were no amounts owed by or to related parties at 31 December 2019 (31 December 2018: £nil). There were no transactions with related parties during 2019 (2018: £nil). The directors consider the key management personnel are the Group directors as listed in note 7.

**25. Capital management**

The Group's objectives when managing capital are:

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

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

**26. Effects of changes in accounting policies**

The Group adopted IFRS 16 on 1 January 2019. The following statements summarise the impact of adopting IFRS 16 on the Group's consolidated statement of financial performance, its consolidated statement of financial position and its consolidated statement of cashflows.

	<b>As reported</b>	IFRS 16 adjustments	Without IFRS 16 adoption
	<b>£'000</b>	£'000	£'000
Revenue	<b>94,949</b>	-	94,692
Cost of sales	<b>(80,475)</b>	-	(80,218)
Gross profit	<b>14,474</b>	-	14,474
Administrative expenses	<b>(12,513)</b>	(72)	(12,585)
Profit from operations	<b>1,961</b>	(72)	1,889
Finance expense	<b>(203)</b>	102	(101)
Profit before tax	<b>1,758</b>	30	1,788
Tax expense	<b>(390)</b>	(6)	(396)
Total profit and other comprehensive income attributable to owners of the Parent	<b>1,368</b>	24	1,392
<b>Earnings per ordinary share:</b>			
Basic	<b>9.60p</b>	0.16p	9.76p
Diluted	<b>8.59p</b>	0.15p	8.74p

	As reported	IFRS 16 adjustments	Without IFRS 16 adoption
	£'000	£'000	£'000
Goodwill	132	-	132
Other intangible assets	234	-	234
Property, plant and equipment	1,680	-	1,680
Right of use assets	3,044	(3,044)	-
Deferred tax asset	95	-	95
Inventories	10	-	10
Trade and other receivables	15,809	-	15,809
Cash and cash equivalents	798	-	798
<b>Total assets</b>	<b>21,802</b>	<b>(3,044)</b>	<b>18,758</b>
Trade and other payables	(8,493)	(63)	(8,556)
Lease liabilities	(3,137)	3,137	-
Corporation tax	(296)	(6)	(302)
Current borrowings	(3,570)	-	(3,570)
Deferred tax liabilities	(70)	-	(70)
<b>Total liabilities</b>	<b>(15,566)</b>	<b>3,068</b>	<b>(12,498)</b>
<b>Net assets</b>	<b>6,236</b>	<b>24</b>	<b>6,260</b>
Share capital	146	-	146
Share premium	120	-	120
Own shares held	(264)	-	(264)
Capital redemption reserve	50	-	50
Share-based payment reserve	557	-	557
Retained earnings	5,627	24	5,651
<b>Total equity</b>	<b>6,236</b>	<b>24</b>	<b>6,260</b>
<b>Gearing ratio</b>	<b>0.6</b>	<b>-</b>	<b>0.6</b>

	As reported £'000	IFRS 16 adjustments £'000	Without IFRS 16 adoption £'000
<b>Cash flows from operating activities</b>			
Profit before tax	1,758	30	1,788
Adjustments for:			
Depreciation, loss on disposal and amortisation	693	(339)	354
Finance expense	203	(102)	101
Employee equity settled share options charge	194	-	194
Change in inventories	(2)	-	(2)
Change in trade and other receivables	(18)	-	(18)
Change in trade and other payables	629	63	692
<b>Cash inflow from operations</b>	<b>3,457</b>	<b>(348)</b>	<b>3,109</b>
Income tax paid	(378)	-	(378)
Interest paid	(203)	102	(101)
Net cash inflow from operating activities	2,876	(246)	2,630
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangibles	(314)	-	(314)
Proceeds from asset disposals	20	-	20
Net cash used in investing activities	(294)	-	(294)
<b>Cash flows from financing activities</b>			
Movement on invoice discounting facility	(1,821)	-	(1,821)
Movement on bank overdraft	(75)	-	(75)
Dividends paid	(563)	-	(563)
Payment of lease liabilities	(246)	246	-
Proceeds from exercise of share options	2	-	2
<b>Net cash outflow from financing activities</b>	<b>(2,703)</b>	<b>246</b>	<b>(2,457)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(121)</b>	<b>-</b>	<b>(121)</b>
Cash and cash equivalents at beginning of period	919	-	919
Cash and cash equivalents at end of period	798	-	798



The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	31 December 2018 as originally presented £'000	IFRS 16 adjustments £'000	1 January 2019 £'000
<b>Assets</b>			
Property, plant and equipment	1,648	-	1,648
Right of use assets	-	3,344	3,344
Deferred tax assets	66	-	66
<b>Liabilities</b>			
Loans and borrowings	(4,639)	-	(4,639)
Lease liabilities	-	(3,344)	(3,344)
<b>Equity</b>			
Retained earnings	5,626	-	5,626

The following table reconciles the minimum lease commitments disclosed in the Group's 31 December 2018 annual report to the amount of lease liabilities recognised on 1 January 2019:

	£'000
Minimum operating lease commitments at 31 December 2018	4,149
Less: Short-term leases not recognised under IFRS 16	(85)
Less: Low value leases not recognised under IFRS 16	-
Undiscounted lease payments	4,064
Less: Effect of discounting using the incremental borrowing rate as at the date of initial application	(720)
Lease liabilities for leases classified as operating type under IAS 17 as at 1 January 2019	3,344

## 27. Prior period restatements

At 31 December 2018 cash and cash equivalents in the consolidated statement of financial position, as originally presented, included bank overdrafts of £1,454,000. Detailed consideration of the evidence supporting this treatment has concluded that the conditions for this net presentation were not met and the error has been corrected within the comparatives, reclassifying the overdrafts to current liabilities. The restated cash and cash equivalents, after this reclassification is £1,546,000.

At 1 January 2018 the restated cash and cash equivalents and overdrafts should have been £1,733,000 and £1,572,000 respectively in the consolidated statement of financial position.

In the consolidated statement of cash flows certain overdrafts at 31 December 2018, which represents a core element of the financing structure of the relevant subsidiary, amounting to £827,000 (2017 £632,000) have been adjusted to include the movement within financing activities and correct the previous offset against the cash balances.

The correction of these errors has not had any impact on previously reported profits, net current assets or net assets.

# **RTC GROUP PLC**

## **Company statutory financial statements**

For the year ended 31 December 2019

(Prepared under FRS101)

**Company number 02558971**

## Company statement of financial position

As at 31 December 2019

Company number: 02558971

	Notes	2019 £'000	2018 £'000
<b>Assets</b>			
<b>Non-current</b>			
Right of use assets	31	37	-
Investments	32	937	937
		<b>974</b>	937
<b>Current</b>			
Deferred tax asset	34	94	64
Trade and other receivables	33	4,850	4,898
Cash and cash equivalents		611	-
		<b>5,555</b>	4,962
<b>Total assets</b>		<b>6,529</b>	5,899
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	35	(1,322)	(1,009)
Lease liabilities	31	(13)	-
Corporation tax		(15)	(81)
Inter Group treasury facility	35	-	(626)
		<b>(1,350)</b>	(1,716)
<b>Non-current</b>			
Lease liabilities	31	(17)	-
<b>Net assets</b>		<b>5,162</b>	4,183
<b>Equity</b>			
Share capital	37	146	146
Share premium		120	120
Own shares held		(264)	(292)
Capital redemption reserve		50	50
Share based payment reserve		557	379
Retained earnings		4,553	3,780
<b>Total equity</b>		<b>5,162</b>	4,183

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's profit after taxation for the year amounted to £1,347,000 (2018: £1,095,000).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 23 February 2020 by:

A M Pendlebury  
Director

S L Dye  
Director

The following notes 28 to 40 form an integral part of these financial statements.

## Company 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
<b>At 1 January 2019</b>	<b>146</b>	<b>120</b>	<b>(292)</b>	<b>50</b>	<b>379</b>	<b>3,780</b>	<b>4,183</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	-	<b>1,347</b>	<b>1,347</b>
<b>Transactions with owners:</b>							
Dividends	-	-	-	-	-	<b>(563)</b>	<b>(563)</b>
Share options exercised	-	-	<b>28</b>	-	<b>(15)</b>	<b>(11)</b>	<b>2</b>
Share based payment charge	-	-	-	-	<b>193</b>	-	<b>193</b>
<b>Total transactions with owners</b>	-	-	<b>28</b>	-	<b>178</b>	<b>(574)</b>	<b>(368)</b>
<b>At 31 December 2019</b>	<b>146</b>	<b>120</b>	<b>(264)</b>	<b>50</b>	<b>557</b>	<b>4,553</b>	<b>5,162</b>

	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
<b>At 1 January 2018</b>	<b>146</b>	<b>120</b>	<b>(473)</b>	<b>50</b>	<b>215</b>	<b>3,285</b>	<b>3,343</b>
<b>Total comprehensive income for the year</b>	-	-	-	-	-	<b>1,095</b>	<b>1,095</b>
<b>Transactions with owners:</b>							
Dividends	-	-	-	-	-	<b>(512)</b>	<b>(512)</b>
Share options exercised	-	-	<b>181</b>	-	<b>(76)</b>	<b>(88)</b>	<b>17</b>
Share based payment charge	-	-	-	-	<b>240</b>	-	<b>240</b>
<b>Total transactions with owners</b>	-	-	<b>181</b>	-	<b>164</b>	<b>(600)</b>	<b>(255)</b>
<b>At 31 December 2018</b>	<b>146</b>	<b>120</b>	<b>(292)</b>	<b>50</b>	<b>379</b>	<b>3,780</b>	<b>4,183</b>

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

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

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

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

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

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

The following notes 28 to 40 form an integral part of these financial statements.

## Notes to the Company financial statements

For the year ended 31 December 2019

### 28. Accounting policies

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

#### *Basis of preparation*

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

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

#### **Adoption of standards**

##### **New accounting standards and interpretation**

The Company has adopted the following new standards and interpretations (effective 1 January 2019) in these financial statements:

**IFRS 16 Leases** sets out the principles for recognition, measurement and presentation of leases and replaces IAS 17 Leases. Adoption of IFRS 16 has resulted in the Company recognising right of use assets and lease liabilities for all qualifying contracts that are, or contain, a lease. Instead of recognising an operating expense for its operating lease payments, the Company has recognised interest on its lease liabilities and amortisation on its right of use assets, impacting profit from operations and the finance expense. The standard contains several options and exemptions which are available at initial adoption. The Company has applied the modified retrospective transition method and adopted certain practical expedients, such that the right of use asset recognised at the 1 January 2019 was £17,000, together with a corresponding lease obligation of £17,000. The impact on profit before tax for the Company for the year ended 31 December 2019 was not material and there was no impact on opening equity at 1 January 2019 (refer note 40).

**IFRIC 23 Uncertainty over Income Tax Treatments.** IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Board has reviewed the implications of IFRIC 23 and determines that there is no material impact on the Company as the Company does not have any current or deferred income tax assets or liabilities where the tax treatment is uncertain.

**Amendments to IFRS 9 Prepayment Features with Negative Compensation.** The IASB has issued these amendments to IFRS 9 Financial Instruments to aid implementation. The amendment allows companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit and loss. The Board has reviewed this amendment and determined that the Company has no such financial instruments, thus there is no impact on the Company of this amendment.

**Amendments to IAS 12 Income Taxes – Annual Improvements to IFRSs (2015-2017).** The amendment clarifies that the income tax consequences of any dividends as defined by IFRS9 must be recognised at the same time as the liability to pay those dividends; and in profit or loss, other comprehensive income or the statement of changes in equity according to where the entity originally recognised the past transactions that generated the distributable profits. The Board has reviewed the implications this amendment and determined that it should have no material impact on the Company.

The Board does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

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

Disclosure exemptions adopted:

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

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

### 28.1 Accounting policies

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

### 28.2 Investments

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

### 28.3 Taxation

#### *Income taxes*

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

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

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

#### *Deferred tax*

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

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

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

**28.4 Pension costs**

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

**28.5 Trade and other payables**

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

**28.6 Trade and other receivables**

There are no trade receivables in 2019 (2018: Nil).

Amounts owed by Group companies are assessed for impairment based upon the current financial position and expected future performance of the subsidiary to which they relate.

**28.7 Cash and cash equivalents**

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

**28.8 Inter Group treasury facilities**

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

**28.9 Financial instruments**

The only financial instruments held by the Company are Sterling financial assets and liabilities. They have been included in the financial statements at their undiscounted respective asset or liability values. Financial assets are stated at amortised cost.

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

Other than lease liabilities for motor vehicles (refer notes 28.13 and 31), all the Company's financial liabilities mature in less than one year and are repayable on demand.

**28.10 Shared-based payments**

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

**28.11 Share capital and dividends**

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

**28.12 Own shares held**

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

**28.13 Leases**

*Revised accounting policy for leases and right of use assets adopted in 2019*

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

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

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

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

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

*Previous accounting policy for operating leases*

Rentals payable under operating leases were charged to the profit for the period on a straight-line basis over the term of the lease. Operating lease incentives were credited to the profit or loss over the period of the lease term on a straight-line basis. Mid-term lease renewals were treated as new leases, with any previously accrued or deferred incentives released where the terms of a new lease were at market rates. For renewals which were not at market rates, the previously deferred or accrued incentives were accounted for within the terms of the new lease.

**28.14 Property, plant and equipment**

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

Motor vehicles	25% - 33.3% per annum straight line
----------------	-------------------------------------

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

The accounting policy for right of use assets is set out alongside the accounting treatment for lease liabilities in note 28.13.



**29. Critical accounting estimates and judgements**

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

**Estimates and assumptions***Equity settled share-based payment liabilities*

The estimation of the probability of the vesting conditions attached to share options granted to employees being met is used to calculate the quantum of the employee equity settled share options charge. There is an element of judgement included in this calculation, which considers historical experience and future expectations.

*Intercompany balances*

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

**30. Staff costs**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Wages and salaries	<b>1,663</b>	1,658
Social security costs	<b>214</b>	205
Other pension costs	<b>83</b>	85
	<b>1,960</b>	1,948

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

	<b>Number</b>	Number
	<b>2019</b>	2018
Sales and administration staff	<b>28</b>	30

**31. Leases and right of use assets****Information about leases for which the Group is a lessee**

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

	<b>Motor vehicles</b>
	<b>£'000</b>
<b>Net book value of right of use assets</b>	
Balance at 1 January 2019	<b>17</b>
Additions	<b>39</b>
Depreciation charge	<b>(19)</b>
Balance at 31 December 2019	<b>37</b>

**Lease liabilities**

	<b>Motor vehicles £'000</b>
<b>Net book value of lease liabilities</b>	
Balance at 1 January 2019	17
Additions	39
Interest expense	3
Lease payments	(29)
Balance at 31 December 2019	30

	<b>2019 £'000</b>
<b>Lease liabilities for motor vehicles included in the statement of financial position</b>	
Current	13
Non-current	17
Total	30

**32. Investments**

	<b>2019 £'000</b>	2018 £'000
<b>Shares in subsidiary undertakings - Company</b>		
Cost at 1 January	937	950
Removal of cost of investments no longer held	-	(13)
Cost at 31 December	937	937
<b>Provision for impairment at 31 December</b>	-	-
<b>Net book value at 31 December</b>	<b>937</b>	937

At 31 December 2019, the Company held the share capital of the following subsidiary undertakings:

<b>Subsidiaries</b>	<b>Proportion of ordinary share capital held</b>	<b>Nature of business</b>
ATA Recruitment Limited <sup>1</sup>	100%	Recruitment
The Derby Conference Centre Limited	100%	Hotel, conferencing and provision of office space
Ganymede Solutions Limited	100%	Recruitment
ATA Global Staffing Solutions Limited	100%	Recruitment
ATA Global Staffing Solutions FZE	100%	Recruitment
Global Choice Recruitment Limited	100%	Dormant
ATA Selection Limited	100%	Dormant

<sup>1</sup>Following the hive up into Ganymede Solutions Limited at 31 December 2019, ATA Recruitment Limited became dormant.

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

**33. Trade and other receivables**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Amounts falling due within one year:</b>		
Amounts owed by Group undertakings <sup>1</sup>	<b>4,640</b>	4,695
Prepayments	<b>210</b>	203
	<b>4,850</b>	4,898

<sup>1</sup>Amounts owed by Group undertakings are due on demand and interest free. They relate to management charges that are settled regularly. The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for intercompany balances. The expected loss rates are based on the company's historical credit losses experienced over the three-year period prior to the period end. There have been no credit losses incurred against intercompany balances in previous years. Further, there are no financial liquidity issues within subsidiaries thus management considers this amount is recoverable.

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

**34. Deferred tax asset**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
At 1 January	<b>64</b>	37
Charge to the profit for the year	<b>30</b>	27
At 31 December	<b>94</b>	64

The deferred tax asset is analysed as:

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Recognised</b>		
Short-term temporary differences	<b>94</b>	64

**35. Trade and other payables**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Trade creditors	<b>630</b>	469
Amounts owed to Group undertakings	<b>5</b>	-
Other taxes and social security costs	<b>83</b>	76
Other creditors	<b>76</b>	68
Accruals	<b>528</b>	396
	<b>1,322</b>	1,009

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

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Inter Group treasury facility</b>		
Inter Group treasury facility	<b>-</b>	626

During the year, the Company has used its inter Group treasury facility which is secured by a cross guarantee

and debenture (fixed and floating charge over all assets) over all Group companies.

### 36. Contingent liabilities

The Company has a cross guarantee and debenture (fixed and floating charge over all assets) with the Group's bankers in respect of overdrafts of £752,000 (2018: £1,454,000) within other group companies.

The Company acts as guarantor for future lease payments of £3,483,333(2018: £3,683,333) in respect of the lease of the Derby site by its subsidiary company, the Derby Conference Centre Limited.

### 37. Share capital

	2019	2018
	£'000	£'000
<b>Allotted, issued and fully paid – ordinary shares of 1p each:</b>		
As at 1 January 14,643,707 shares (2018: 14,643,707 shares)	146	146
As at 31 December 14,643,707 shares (2018: 14,643,707 shares)	146	146

#### Share options

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

### 38. Pension commitments

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in an independently administered fund. Included in other creditors were £18,524 (2018: £11,485) of outstanding contributions.

### 39. Post balance sheet events

There have been no significant events to report since the date of the balance sheet.

### 40. Effects of changes in accounting policies

The Company adopted IFRS 16 on 1 January 2019. The following statements summarise the impact of adopting IFRS 16 on the Company's 2019 statement of financial position.

	As reported	IFRS 16 adjustments	Without IFRS 16 adoption
	£'000	£'000	£'000
Right of use assets	37	(37)	-
Investments	937	-	937
Deferred tax asset	94	-	94
Trade and other receivables	4,850	7	4,857
Cash and cash equivalents	611	-	611
<b>Total assets</b>	<b>6,529</b>	<b>(30)</b>	<b>6,499</b>
Trade and other payables	(1,324)	-	(1,324)
Lease liabilities	(30)	30	-
Corporation tax	(15)	-	(15)
<b>Total liabilities</b>	<b>(1,369)</b>	<b>30</b>	<b>(1,339)</b>
<b>Net assets</b>	<b>5,160</b>	<b>-</b>	<b>5,160</b>
Share capital	146	-	146
Share premium	120	-	120
Own shares held	(264)	-	(264)
Capital redemption reserve	50	-	50
Share-based payment reserve	557	-	557
Retained earnings	4551	-	4,551
<b>Total equity</b>	<b>5,160</b>	<b>-</b>	<b>5,160</b>

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	31 December 2018 as originally presented	IFRS 16 adjustments	1 January 2019
	£'000	£'000	£'000
<b>Assets</b>			
Investments	937	-	937
Right of use assets	-	17	17
Deferred tax assets	64	-	64
<b>Liabilities</b>			
Loans and borrowings	(626)	-	(626)
Lease liabilities	-	(17)	(17)

## Directors and advisers

**Directors**

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A M Pendlebury  
S L Dye  
B W May

**Registered office**

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S L Dye

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