

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

29 July 2022

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

Interim Results for the Six Months Ended 30 June 2022

RTC Group Plc (AIM: RTC.L), the engineering and technical recruitment Group, is pleased to announce its unaudited results for the six months ended 30 June 2022.

Summary:

- Group revenue from continuing operations was £34.4m (2021: £40.5m);
- EBITDA £0.1m (2021: £0.7m);
- Loss before tax was £0.4m (2021: profit of £0.2m);
- Net assets £6.2m (2021: £6.7m);
- Net cash outflow from operating activities £0.6m (2021: £2.1m); and
- Basic loss per share 2.43p (2021: earnings per share 0.76p).

No dividends were paid in the period (2021: Nil). At this time, no interim dividend is proposed for the year ended 31 December 2022 (2021: Nil).

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

"The first half of 2022 has been a difficult trading period. Several of our trading areas have responded well to opportunities arising from the transition from onerous pandemic conditions to an acceptance that we are able to live with continuing COVID outbreaks, bringing nearer to normal business conditions. In addition, the change of routes awarded in our new long-term Network Rail contract has brought a number of short-term but significant challenges and costs resulting in a reduced contribution from that element of our Group.

However, despite this and other headwinds bringing a deteriorating global economic situation following the outbreak of hostilities between Russia and Ukraine, our UK, international and energy recruitment businesses all showed improving signs of growth and The Derby Conference Centre has increased its profitability.

This has resulted in a small positive EBITDA but a Group pre-tax loss for the first half.

Although the second half of the year will be affected by the emergence of 'definitely not transitory' higher levels of inflation and increasing interest rates, we are expecting all areas of our business that are currently performing well to continue to do so and the rail business situation to stabilise enabling a return to a more positive trading outcome for that period."

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

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About RTC

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

UK division

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

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

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

International division

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

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

Chairman's statement

Six months ended 30 June 2022

The first half of 2022 has been a difficult trading period. Several of our trading areas have responded well to opportunities arising from the transition from onerous pandemic conditions to an acceptance that we are able to live with continuing COVID outbreaks, bringing nearer to normal business conditions. In addition, the change of routes awarded in our new long-term Network Rail contract has brought a number of short-term but significant challenges and costs resulting in a reduced contribution from that element of our Group.

However, despite this and other headwinds bringing a deteriorating global economic situation following the outbreak of hostilities between Russia and Ukraine, our UK, international and energy recruitment businesses all showed improving signs of growth and The Derby Conference Centre has increased its profitability.

This has resulted in a small positive EBITDA but a Group pre-tax loss for the first half.

Although the second half of the year will be affected by the emergence of 'definitely not transitory' higher levels of inflation and increasing interest rates, we are expecting all areas of our business that are currently performing well to continue to do so and the rail business situation to stabilise enabling a return to a more positive trading outcome for that period.

W J C Douie
Chairman
29 July 2022

Finance Director's statement

Six months ended 30 June 2022

Highlights

The Group delivered revenues of £34.4m (2021: £40.5m), EBITDA £0.1m (2021: £0.7m) and a loss before tax of £0.4m (2021 profit before tax: £0.2m) for the six months ended 30 June 2022.

The UK Recruitment segment delivered a mixed performance H1 2022. Overall, the segment delivered reduced revenues of £31.1m (2021: £34.2m) which was converted to significantly reduced profit from operations of £0.6m (2021: 1.5m). Both permanent and temporary UK recruitment has performed very well capitalising on the current buoyant, albeit competitive, jobs market. Smart-meter installation activities have also been strong with further growth expected in H2. However, our Rail business has been severely impacted by fuel and general price increases being seen with high inflation coupled with the significant disruption caused by Network Rail's decision to award all suppliers new contract delivery areas. We are currently working with Network Rail to address these issues.

International recruitment saw the impact of the withdrawal of the US from Afghanistan in Q2 2021 which has resulted in reduced revenues H1 2022 of £2.5m (2021: £6.0m). Profit from operations reduced to £0.2m (2021: £0.3m).

Within UK Central Services, our hotel and conference centre business has significantly improved from H1 2021 when it was just providing bedroom and meeting room facilities to key workers in line with Government guidelines and is now approaching pre-pandemic levels. Revenue generated by the segment was £0.9m (2021: £0.3m).

Taxation

The total tax credit for the period is estimated at £59,000 (2021: charge of £53,000). This is higher than would be expected if the standard tax rate was applied to the result for the period, as explained in note 3.

Earnings per share

The basic loss per share figure is 2.38p (2021: earnings per share of 0.76p). The diluted loss per share 2.38p (2021: earnings of 0.75p).

Dividends

No dividends were paid in the period (2021: Nil). At this time, no interim dividend is proposed for the year ended 31 December 2022 (2021: Nil).

Statement of financial position

Net working capital has been maintained at £4.7m (2021: £4.8m). There has been a decrease in debtors reflecting the drop in revenues versus H1 2021 and improvement in key customer aged balances. Net assets have reduced to £6.2m (2021: £6.7m). The Group has no term debt and is financed using its invoice discounting and overdraft facilities with HSBC.

Cash flow

The cash outflow from operating activities of £0.6m (2021: £2.1m) for the six-month period reflects the absence of the repayment in 2021 of £0.5m of the £1.5 m VAT deferred in 2020 under the Government VAT deferral Scheme and the improvement noted above in key customer balances.

Financing

The Group's current bank facilities comprise an overdraft of £50,000 and a confidential invoice discounting facility of up to £12.0m with HSBC at a discount margin of 1.6% above base. The Board closely monitors the level of facility utilisation and availability to ensure there is enough headroom to manage current

operations and future needs of the business. The Group continues to be focussed on cash generation and building a robust statement of financial position to protect the business.

Own shares held

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

Going concern

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

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

In assessing the risks related to the continued availability of the current facilities, the Board have taken into consideration the existing relationship with HSBC and the strength of the security provided, and the quality of the Group's customer base. Based on their enquiries, the Board have determined that it remains appropriate to conclude that sufficient facilities will continue to remain available to the Group and that the going concern basis of preparation remains appropriate and that no material uncertainty exists. As a result, the going concern basis continues to be appropriate in preparing the interim results.

S L Dye
Group Finance Director
29 July 2022

Consolidated statement of comprehensive income:

	Notes	Six-month period ended 30 June 2022 Unaudited £'000	Six-month period ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Revenue	2	34,406	40,491	77,715
Cost of sales	2	(28,852)	(34,786)	(65,928)
Gross profit	2	5,554	5,705	11,787
Other operating income	2	-	311	351
Administrative expenses	2	(5,859)	(5,776)	(11,864)
Profit from operations	2	(305)	240	274
Finance expense		(101)	(78)	(160)
Profit before tax		(406)	162	114
Tax expense	3	59	(53)	(109)
Total profit and other comprehensive income for the period attributable to owners of the parent		(347)	109	5
Earnings per ordinary share	4			
Basic		(2.43p)	0.76p	0.04p
Fully diluted		(2.38p)	0.75p	0.03p

Consolidated statement of changes in equity for the six months ended 30 June 2022:

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Profit and loss £'000	Total equity £'000
Balance at 1 January 2022	146	120	(236)	50	146	6,320	6,546
Total comprehensive income for the period	-	-	-	-	-	(347)	(347)
Transactions with owners:							
Share options cancelled	-	-	-	-	-	-	-
Share based payment charge	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
At 30 June 2022 (Unaudited)	146	120	(236)	50	146	5,973	6,199

Consolidated statement of changes in equity for the six months ended 30 June 2021:

	Share capital	Share premium	Own shares held	Capital redemption reserve	Share based payment reserve	Profit and loss	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	146	120	(236)	50	718	6,278	7,076
Total comprehensive income for the period	-	-	-	-	-	109	109
Transactions with owners:							
Share options cancelled	-	-	-	-	(782)	37	(745)
Share based payment charge	-	-	-	-	210	-	210
Total transactions with owners	-	-	-	-	(572)	37	(535)
At 30 June 2021 (Unaudited)	146	120	(236)	50	146	6,424	6,650

Consolidated statement of changes in equity for the year ended 31 December 2021:

	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 2021	146	120	(236)	50	718	6,278	7,076
Total comprehensive income for the year	-	-	-	-	-	5	5
Transactions with owners:							
Share options cancelled	-	-	-	-	(782)	37	(745)
Share based payment charge	-	-	-	-	210	-	210
Total transactions with owners	-	-	-	-	(572)	37	(535)
At 31 December 2021	146	120	(236)	50	146	6,320	6,546

Consolidated statement of financial position:

	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
	Unaudited £'000	Unaudited £'000	Audited £'000
Assets			
Non-current			
Goodwill	132	132	132
Other intangible assets	43	101	74
Property, plant, and equipment	1,574	1,602	1,554
Right of use assets	2,627	2,797	2,779
Deferred tax asset	40	30	40
	4,416	4,662	4,579
Current			
Inventories	11	8	21
Trade and other receivables	13,610	15,084	13,481
Cash and cash equivalents	681	737	946
	14,302	15,829	14,448
Total assets	18,718	20,491	19,027
Liabilities			
Current			
Trade and other payables	(5,926)	(8,434)	(6,430)
Lease liabilities	(176)	(276)	(294)
Corporation tax	66	(147)	-
Current borrowings	(3,547)	(2,171)	(2,828)
	(9,583)	(11,028)	(9,552)
Non-current liabilities			
Lease liabilities	(2,801)	(2,686)	(2,801)
Deferred tax liabilities	(135)	(127)	(128)
Total liabilities	(12,519)	(13,841)	(12,481)
Net assets	6,199	6,650	6,546
Equity			
Share capital	146	146	146
Share premium	120	120	120
Capital redemption reserve	50	50	50
Own shares held	(236)	(236)	(236)
Share based payment reserve	146	146	146
Profit and loss account	5,973	6,424	6,320
Total equity	6,199	6,650	6,546

Consolidated statement of cash flows:

	Six-month period ended 30 June 2022 Unaudited £'000	Six-month period ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Cash flows from operating activities			
Profit before tax	(406)	162	114
Adjustments for:			
Depreciation, loss on disposal and amortisation	413	410	816
Finance expense	101	78	160
Employee equity settled share options charge	-	210	210
Change in inventories	10	(1)	(14)
Change in trade and other receivables	(129)	(1,680)	(77)
Change in trade and other payables	(504)	(1,169)	(3,271)
Cash outflow from operations	(515)	(1,990)	(2,062)
Income tax paid	-	-	(217)
Interest paid	(101)	(78)	(160)
Net cash outflow from operating activities	(616)	(2,068)	(2,439)
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles	(250)	(120)	(279)
Net cash used in investing activities	(250)	(120)	(279)
Cash flows from financing activities			
Movement on invoice discounting facility	823	1,280	2,231
Movement on perpetual bank overdrafts	(104)	(76)	(370)
Amounts paid to cancel share options	-	(848)	(745)
Payments of lease liabilities	(118)	(258)	(279)
Net cash inflow from financing activities	601	98	837
Net decrease in cash and cash equivalents	(265)	(2,090)	(1,881)
Cash and cash equivalents at beginning of period	946	2,827	2,827
Cash and cash equivalents at end of period	681	737	946

Notes to the interim statement for the six months ended 30 June 2022:

1. Accounting policies

a) *General information*

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

The Board consider the principal risks and uncertainties relating to the Group for the next six months to be the same as detailed in our last Annual Report and Accounts to 31 December 2021.

b) *Basis of preparation*

The unaudited interim Group financial information of RTC Group Plc is for the six months ended 30 June 2022 and does not comprise statutory accounts within the meaning of S.435 of the Companies Act 2006. The unaudited interim Group financial statements have been prepared in accordance with the AIM rules and have not been reviewed by the Group's auditors. This report should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2021, which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern

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

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

In assessing the risks related to the continued availability of the current facilities, the Board have taken into consideration the existing relationship with HSBC and the strength of the security provided, and the quality of the Group's customer base. Based on their enquiries, the Board have determined that it remains appropriate to conclude that sufficient facilities will continue to remain available to the Group and that the going concern basis of preparation remains appropriate and that no material uncertainty exists. As a result, the going concern basis continues to be appropriate in preparing the interim results.

These unaudited interim Group financial statements were approved for issue on 29 July 2022. No significant events, other than those disclosed in this document, have occurred between 30 June 2022 and this date.

c) *Comparatives*

The comparative figures for the year ended 31 December 2021 do not constitute statutory accounts within the meaning of S.435 of the Companies Act 2006, but they have been derived from the audited financial statements for that year, which have been filed with the Registrar of Companies. The report of the auditor was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 nor a reference to any matters which the auditor drew attention by way of emphasis of matter without qualifying their report.

d) *Accounting policies*

In preparing these interim financial statements, the Board have considered the impact of new standards which will be applied in the 2022 Annual Report and Accounts and there are not expected to be any changes in the accounting policies compared to those applied at 31 December 2021.

A full description of accounting policies is contained with our 2021 Annual Report and Accounts which is available on our website.

This interim announcement has been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as effective for periods beginning on or after 1 January 2022.

2. Segment analysis

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

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

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

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

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

During the first half of 2022, one customer in the UK Recruitment segment contributed 10% or more of that segment's revenues being £9.3m (2021: £14.8m) and one customer in the International Recruitment sector contributed 10% or more of that segment's revenues being £2.4m (2021: £5.7m).

Revenue, gross profit, and operating profit delivery by geography for the six-month period ended 30 June 2022:

£'000	UK Recruitment	International Recruitment	UK Central Services	Total Group
Revenue	31,065	2,475	866	34,406
Cost of sales	(26,321)	(2,135)	(396)	(28,852)
Gross profit	4,744	340	470	5,554
Administrative expenses	(3,933)	(168)	(1,345)	(5,446)
Amortisation of intangibles	(12)	-	-	(12)
Depreciation of right of use assets	(65)	-	(114)	(179)
Depreciation	(124)	(3)	(95)	(222)
Total administrative expenses	(4,134)	(171)	(1,554)	(5,859)
Profit from operations	610	169	(1,084)	305

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

Segment information for the six months ended 30 June 2021:

£'000	UK Recruitment	International Recruitment	UK Central Services	Total Group
Revenue	34,196	5,951	344	40,491
Cost of sales	(29,220)	(5,368)	(198)	(34,786)
Gross profit	4,976	583	146	5,705
Other operating income*	213	-	98	311
Administrative expenses	(3,540)	(286)	(1,540)	(5,366)
Amortisation of intangibles	(14)	-	-	(14)
Depreciation of right of use assets	(77)	-	(120)	(197)
Depreciation	(103)	(2)	(94)	(199)
Total administrative expenses	(3,521)	(288)	(1,656)	(5,465)
Profit from operations	1,455	295	(1,510)	240

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

Segment information for the year ended 31 December 2021:

£'000	UK Recruitment	International Recruitment	UK Central Services	Total Group
Revenue	66,842	1,279	9,594	77,715
Cost of sales	(56,703)	(622)	(8,603)	(65,928)
Gross profit	10,139	657	991	11,787
Other operating income*	213	138	-	351
Administrative expenses	(7,240)	(3,293)	(519)	(11,052)
Amortisation of intangibles	(100)	-	-	(100)
Depreciation of right of use assets	(129)	(239)	-	(368)
Depreciation	(175)	(165)	(4)	(344)
Total administrative expenses	(7,431)	(3,559)	(523)	(11,513)
Profit from operations	2,708	(2,902)	468	274

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

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 hotel and conferencing at the Derby site, described as Other below. Revenue and gross profit by service classification for management purposes:

Revenue	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2021 (Audited)
£'000			
Permanent placements	1,414	964	2,098
Contract	32,126	39,183	74,338
Other	866	344	1,279
	34,406	40,491	77,715

Gross profit	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2021 (Audited)
£'000			
Permanent placements	1,414	964	2,098
Contract	3,670	4,595	9,032
Other	470	146	657
	5,554	5,705	11,787

3. Income tax

	Six-month period ended 30 June 2022 (Unaudited) £'000	Six-month period ended 30 June 2021 (Unaudited) £'000	Year ended 31 December 2021 (Audited) £'000
Continuing operations			
Analysis of tax:			
Current tax			
UK corporation tax	(66)	(71)	(6)
Adjustment in respect of previous period	-	-	-
	(66)	(71)	(6)
Deferred tax			
Origination and reversal of temporary differences	7	124	115
Tax	(59)	53	109

Factors affecting the tax expense

The tax assessed for the six-month period ended 30 June 2022 is higher than (2021: higher than) would be expected by multiplying profit by the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are explained below:

	Six-month period ended 30 June 2022 Unaudited £'000	Six-month period ended 30 June 2021 Unaudited £'000	Year ended 31 December 2021 Audited £'000
Factors affecting tax expense			
Result for the period before tax	(406)	162	114
Profit multiplied by standard rate of tax of 19% (2021: 19%)	(77)	31	22
Non-deductible expenses	18	22	68
Tax credit on exercise of options	-	-	28
Effect of change in deferred tax rate	-	-	(9)
Tax charge for the period	(59)	53	109

4. Earnings per share

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

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

	Basic		Diluted	
	Six-month period ended 30 June 2022 Unaudited	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2022 Unaudited	Six-month period ended 30 June 2021 Unaudited
Earnings £'000	(347)	109	(347)	109
Basic weighted average number of shares	14,306,680	14,266,680	14,306,680	14,266,680
Dilutive effect of share options	-	-	266,885	301,859
Fully diluted weighted average number of shares	-	-	14,573,565	14,568,539
Earnings per share (pence)	(2.43p)	0.76p	(2.38p)	0.75p

5. Borrowings

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