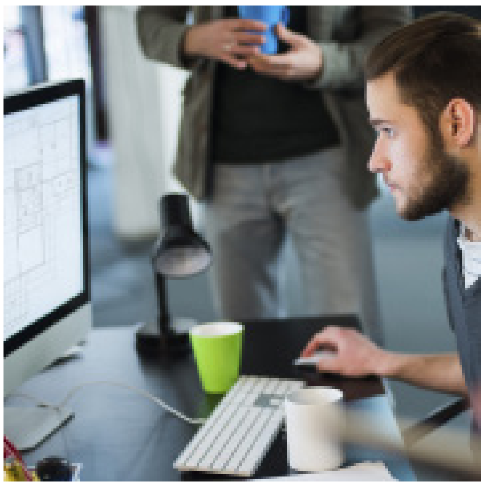
2018

Connecting business and career ambitions

RTC GROUP

Annual Report

for the year ended 31 December 2018



www.rtcgroupplc.co.uk
Stock Code: RTC

Welcome to the RTC Group Annual Report 2018

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.

Financial Highlights

Group revenue
£87.8m
(2017: £71.7m)

Profit before tax
£1.9m
(2017: £1.2m)

Basic EPS
10.20p
(2017: 7.07p)

Operational highlights

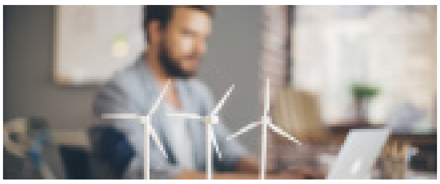
ATA grew its contribution to Group by 27% with increased permanent placements (up 14% on prior year) and higher numbers of contractors (contract margin up 21% on prior year).

Ganymede's contribution increased by 8%. Its rail division had a strong second half following lower than anticipated volumes in the first half. Although Ganymede Energy was still experiencing temporary delays caused by the approval of smart-meter technology.

GSS increased its contribution by an impressive 70% by expanding its contractor base with its core client and delivering a full year of the new contract won in July 2017.

RTC has three principal trading subsidiaries engaged in the recruitment of human capital resources and the provision of managed services.

Projects. Manufacturing. Engineering



ATA supplies white and blue-collar staff to a broad range of customers in the rail, engineering and manufacturing sectors.

Ganymede is focused on the supply and operation of labour in safety critical markets.

Global reach. Local delivery

GSS provides large scale managed service staffing solutions for international customers in high risk environments.

Learn More

RTC maintains a corporate website at **www.rtcgroupplc.co.uk** containing a wide range of information of interest including:

- Latest news and press releases
- Company reports and presentations

Contents

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 subsidiary companies.

ATA supplies recruitment solutions to the engineering, technical and manufacturing sectors, Ganymede is focused on the supply of labour into safety critical environments, predominantly in the rail and energy sectors, and GSS provides managed service solutions for international customers. The Group headquarters are located at the Derby Conference Centre which also provides office accommodation for ATA and Ganymede in addition to generating rental and conferencing income from space not utilised by the Group.

ATA

ATA supplies recruitment solutions to the engineering and technical sectors. It has two core operating units – projects and branches.

Projects supply to major infrastructure and transport projects whilst the branch network is focused on supporting local manufacturing and engineering companies. ATA is uniquely positioned in the sector to provide both permanent and contract solutions to a wide range of customers from SME regional manufacturers to the very largest transport and infrastructure project management organisations. ATA's main operating sectors are civil engineering, rolling stock, highways, rail infrastructure, facilities management and maintenance, specialist equipment manufacturing, technology, process and FMCG industries.

Ganymede

Ganymede supplies labour into safety critical environments. Its core business is the supply and operation of temporary labour within the rail industry.

As a RISQS approved supplier, Ganymede is a leading provider of blue and white-collar skilled and semi-skilled labour, safety critical personnel and technical staff on call-off and temporary term contracts. Additionally, Ganymede Energy is a UVDB accredited specialist engineering recruiter focused on providing domestic and commercial gas and electrical engineers. Ganymede also provides and manages temporary labour within the construction, infrastructure, highways, general civil engineering and utilities sectors.

GSS

GSS is a staffing solutions provider with a track record of delivery in some of the world's most hostile locations.

GSS works with customers across the globe that are focused on delivering projects in a variety of engineering sectors. 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 2018

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

Group

2018 has seen continued growth of 22% in Group revenues to £87.8m (2017: £71.7m). There has been a very pleasing improvement in the quality of Group earnings with a 58% increase in Group pre-tax profits at £1.9m (£1.2m). Basic earnings per share have risen by 44% to 10.20p (2017: 7.07p).

In 2018, ATA had another year of growth in a year of fragile market conditions with increases in permanent placements and further growth in contract business.

Ganymede continued to prosper with good demand in the rail industry and steady performance in the energy division despite the slower than expected growth of our contract to train and supply smart-meter installers to serve the roll out of the Government smart meter policy which has suffered delays pending roll out of second generation smart-meter technology which is expected during 2019.

Internationally, GSS, grew its contribution to Group by nearly 70% (2017: 42%) from business in Afghanistan and the Middle East.

Finally, 2018 has seen the completion of major refurbishment works at the conference centre at our headquarters in Derby and we now have a profitable conference centre and a first-class training facility used by many of our customers.

Dividends

In pursuance of our policy, an interim dividend of 1.3p has been paid, (2017: 1.2p). The directors are now proposing a final dividend for the 2018 year of 2.55p per share, (2017: 2.3p), subject to approval at the Annual General Meeting on 24 April 2019.

Outlook

Although there are uncertainties for the UK economy in 2019 which are likely to remain until our future relations with the European Community are resolved, we enter 2019 with optimism following a strong performance in 2018. ATA is continuing to perform well, 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. GSS has continuing flows of demand from its longstanding client in Afghanistan and continues to develop business in the Middle East. The facilities at the Group's Derby site have achieved a stable and profitable presence and are experiencing solid demand.

We are well placed to take advantage both of general economic growth when it re-emerges and any additional increases in infrastructure spending. Although we continue to review acquisition opportunities, we do not intend to overpay for acquisitions to the detriment of our shareholders.

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

W J C Douie
Chairman

24 February 2019

Chief Executive's operational and strategic review

For the year ended 31 December 2018

Overview

I am delighted to report another successful year of growth for the Group with all key financial comparators showing significant progress. Group revenue has increased for the tenth successive year and since we outlined our long-term growth plan in our 2014 annual report we have now delivered EBITDA growth of 80%, EPS growth of 72% and dividend growth of over 150% to our shareholders. At the same time our balance sheet has strengthened significantly even taking into consideration around £2m of cumulative dividend distributions to shareholders and our balance sheet is twice as strong as at the beginning of our growth plan. We have continued to reduce our gearing; our operating cash generation remains strong and our financing is comfortably covered by our trade receivables which sits predominantly with blue chip customers. Our Group is in a robust financial position, is making significant progress with its strategic agenda and the Board remains highly optimistic about its future.

In terms of our business mix we now offer a comprehensive range of solutions to large blue chip, mid-cap and SME engineering and manufacturing customers operating across a wide spread of industries and sectors and all at various stages of their growth cycles. Our balance is heavily weighted towards larger blue-chip customers where we operate long-term high value contracts in the UK rail and broader infrastructure markets and internationally we support large international customers on long-term defense contracts for NATO based activities.

Our recruitment brands add significant value by attracting a global pool of candidates for our customers allowing them to concentrate on building their own brand value whilst we build a pipeline of skills for integration with their direct workforce. We believe this strategy provides the opportunity to secure more stable revenue and cash flow streams for the Group enabling both better visibility for investment planning and, for our investors, a base line order book to underpin the Group's valuation compared to market competition. It has also enabled us to invest alongside a number of our larger partner customers to attract, train and deploy candidates which in turn positions us favourably on contract renewal through our integrated relationship with them. This strategic focus has enabled us to manage our split of long-term contract workers, short-term temporary assignments and permanent placements to mitigate exposure to any sector or supply stream which may be exposed to any short-term economic downturn. Finally, 70% of our gross profit is now generated by our more resilient contract business completing a significant shift away from our previous exposure to permanent placement business.

Subsidiary business review

All our subsidiary businesses made significant progress in their respective markets during 2018.

Ganymede continues to both grow its presence and reputation in the rail engineering sector and has again had another solid year establishing itself as the number one supplier of temporary labour to Network Rail on its track renewal and maintenance programme. An increase in sales revenue of 17% resulted in an increase in net contribution to the Group of 8%. Whilst the first half of the year experienced slower than expected throughput from the Network Rail contract, the second half of the year rebounded solidly, and the rail business delivered record revenues. Unlike the Group's other recruitment businesses, Ganymede, due to the nature of its workforce management structure, invests heavily in health and safety and apprentice training and despite the lower than anticipated first half sales maintained a constant investment level throughout the year. Ganymede's investment in its mobile safety vehicle has resulted in a significant improvement in safety performance and last year Ganymede introduced over 100 new workers into the rail industry through both traineeships and apprenticeship schemes. Following the collapse of Carillion, Ganymede safeguarded the jobs of 100 ex Carillion workers and crucially enabled Network Rail to continue delivering key investment projects. In terms of Ganymede's energy business, the well-publicised delay in the Government's smart-meter roll out programme has been the cause of much frustration for the sector. Despite this Ganymede energy enjoyed record revenue growth and we remain hopeful that during 2019 smart-meter technology and supply issues will be resolved and we can increase installation headcount in line with contracted volumes.

ATA had an extremely solid year of growth in both its permanent and contract placement business gross profit up 14% and 21% respectively. Overall the business increased its contribution to the Group by 27% and given the difficulties experienced by much of its peer group providing white collar staff to the engineering and manufacturing sector during the year, this is extremely promising growth for the business to build on. Our innovative approach to project recruitment has seen the business awarded preferred supplier status with a number of our customers and through working alongside our Ganymede business, ATA is now providing a fully integrated recruitment service providing both white and blue collar solutions reducing both direct hire and indirect costs through streamlined recruitment for customers. Our branch network business, which provides recruitment services to UK manufacturers for both domestic consumption and export markets, continues to experience steady demand across a wide variety of skill sets and we remain positive about the outlook.

Chief Executive's operational and strategic review

For the year ended 31 December 2018

GSS, our international business had an exceptional year of growth with 44% increase in revenue, 51% increase in gross profit and because of scale efficiencies, a 70% increase in contribution to the Group. Our partnerships with major American international facilities management companies continues to gather momentum and we are being relied on to mobilise recruitment services to an increasing number of countries. As NATO are committed to developing a long-term stable integration of military and civilian organisations we believe there are further opportunities for GSS to strengthen partnerships with existing customers and also establish relationships with new clients either expanding in the region or entering the market to capitalise on the growth in privatisation of military support functions.

Our conference centre has now completed its major capital investment and refurbishment programme at our Derby site and is providing first class headquarters facilities to the Group and regional operating hubs for both ATA and Ganymede. The investment included around £1m contribution from our landlord along with a new long-term commercially competitive lease to secure and protect the continuity of activity for the Group. This has enabled us to attract long-term tenants to secure full utilisation of the site's office capacity and we now have a thriving events, conferencing and business network facility to attract a variety of blue-chip customers to the Group. Major customers representing all subsidiaries of the Group regularly attend in-house training programmes at our facility and we have held a number of industry wide conferences sponsored by the RTC Group enabling leverage of Group wide capabilities.

Finally, and of significant note, since we launched our new business strategy in 2014 our Group subsidiaries have now provided over 15 million hours of workforce support to our collective customers. We are all extremely proud of this achievement and believe the combined capability of our Group can continue to build on this success and deliver future long-term revenue streams to generate increased shareholder value.

Outlook

I believe our Group has a solid foundation from which to build our next stage of growth. Whilst economic conditions remain uncertain across a range of sectors within the UK, and both Government and Bank of England growth projections for 2019 are on a downward trend, at this moment we see our level of exposure to these sectors as being manageable. Whilst the strength of the headwinds from a disorderly Brexit are still unpredictable and the full implications are yet to be clearly understood, we enter the new financial year with a strong order book and we have yet to see signs of any significant slowdown.

Furthermore, whilst it is difficult to forecast with any confidence the short to medium-term impact of regional and global political decisions which may affect the UK economy, our Group strategy has focused on avoiding the cyclicality of the service sector and concentrated on building core competencies in the infrastructure and built environments, domestic and export led manufacturing sectors and international defense led markets as we believe this strategy still has considerable mileage and will offer long-term growth opportunities for the Group and its shareholders.

Future growth strategy

In terms of future strategy, we believe our organic development plan of investing in our subsidiary businesses has delivered consistent and incremental growth over a number of years, has been proven, differentiates us from our competition and, through combining competitive advantage across our businesses, will continue to be the main driver of success for the Group. Furthermore, and as previously stated, we see long-term sustainable business opportunities across all key sectors we support especially rail, infrastructure, international and export manufacturing which are all seen as high potential growth markets.

In our 2017 annual accounts we outlined our intent to accelerate our growth plan by pursuing transformational acquisition opportunities. During 2018 we reviewed a range of potential targets. However, the Board did not identify any notable value enhancing transactions worthy of the range of multiples being sought by vendors. As generating growth in earnings per share remains our key priority for shareholders and given the difficulties experienced by many in our sector through paying excessive valuations for acquisitions and the resulting negative impact on share valuations, the Board has taken a cautionary approach on this aspect of our strategic growth plan, especially given the uncertain trading landscape. We will however continue to examine further potential transactions as they emerge.

Andy Pendlebury

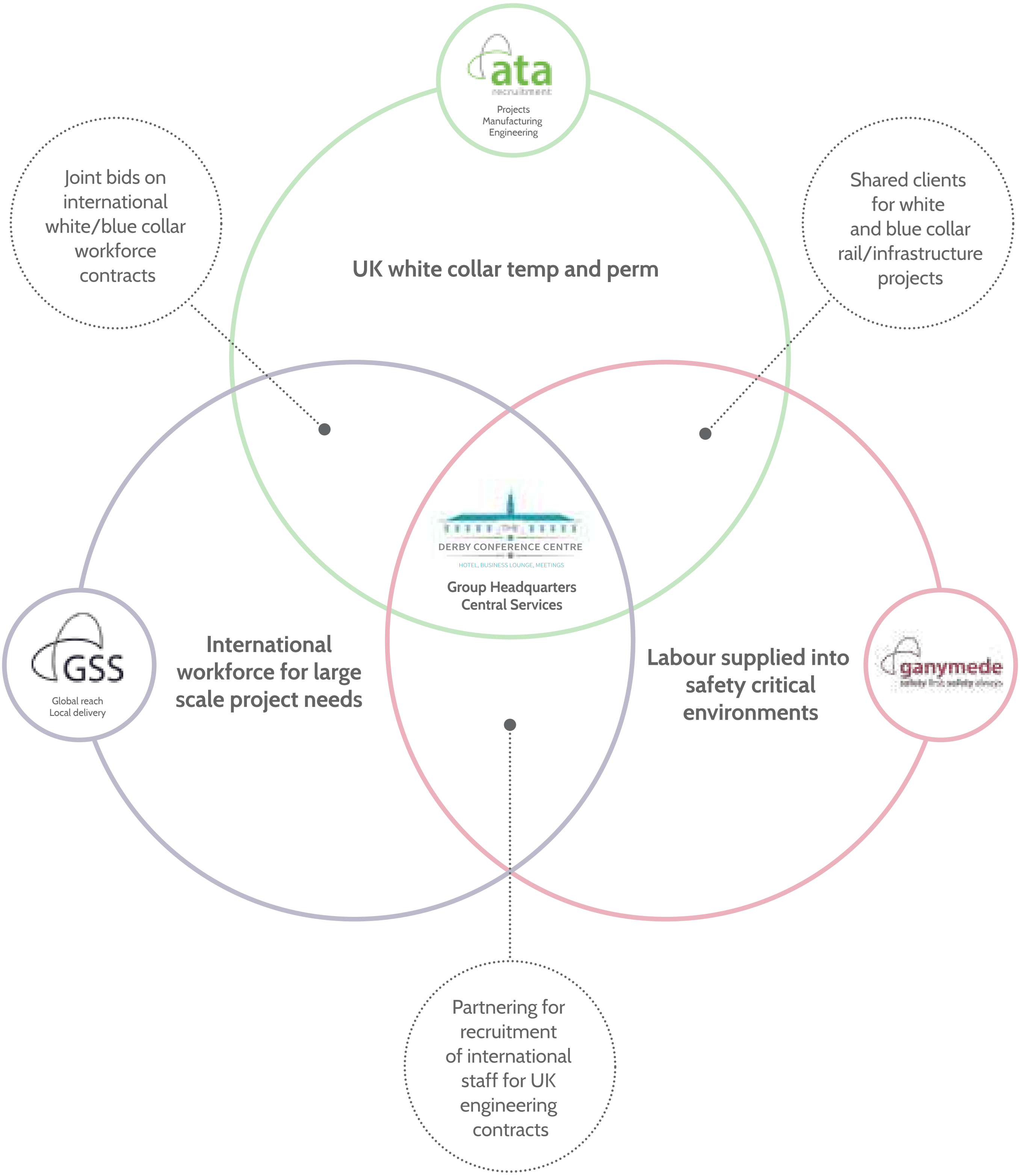
A M Pendlebury
Chief Executive

24 February 2019

Chief Executive's operational and strategic review

For the year ended 31 December 2018

Group business model

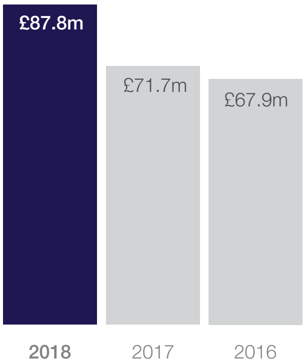


Key performance indicators

For the year ended 31 December 2018

Revenue (£m)

£87.8m

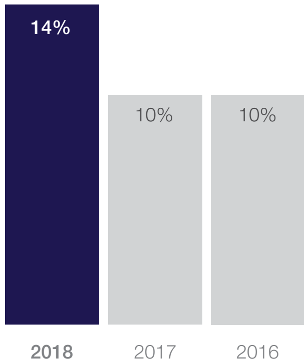


Gross profit (£m)

£13.9m

Gross profit conversion rate[1, 2] (%)

14%

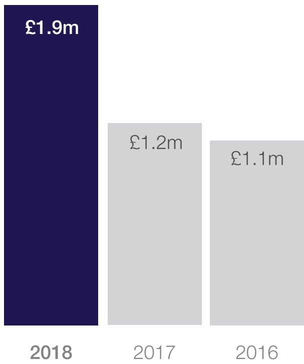


Profit from operations[2] (£m)

£2.0m

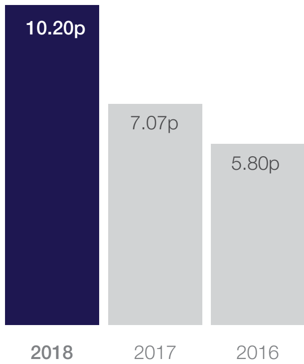
Profit before tax[2] (£m)

£1.9m



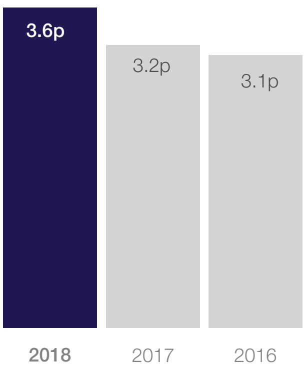
Basic earnings per share[2] (p)

10.20p



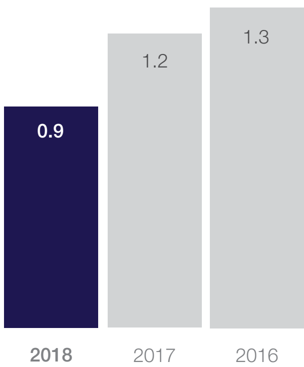
Dividend paid (during year) per share (p)

3.6p



Gearing ratio[2]

0.9



[1] Gross profit conversion rate is calculated as profit from operations/gross profit.

[2] Refer note 25 for impact on 2017 figures previously reported of transition to IFRS 9 and IFRS 15. There was no impact on 2016.

Effective risk management

For the year ended 31 December 2018

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 negotiations, we believe that the sectors and customers we have built relationships with have fundamental long-term growth trends. Further, the deliberate positioning of two out of three 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. In the UK we are targeting the growth of our ATA contract placement activity to offset any short-term fluctuations in permanent placements in manufacturing and engineering. 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 is a significant risk. To minimise this risk, the strategy across all our businesses 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 is 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

A shortage of skilled candidates 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 a 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. To mitigate this risk, in conjunction with our professional advisers, we monitor all changes in legislation and keep our documentation and procedures under review. The Group works closely with its 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 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 is responding to this threat in a number of ways including system security measures and raising awareness with and training our staff to be vigilant. On 2 October 2018 the information management system of Ganymede was assessed as compliant with ISO27001 and we are now working on achieving that same accreditation for ATA. The Group also has responsibilities to protect data under the General Data Protection Regulation (GDPR). GDPR regulation became enforceable in May 2018 and the Group has worked to ensure full compliance.

The strategic report was approved by the Board on 24 February 2019 and signed on it

S L Dye

S L Dye
Secretary

24 February 2019

Finance Director's statement

For the year ended 31 December 2018

Financial highlights

The Group delivered profit before tax of £1.9m (2017: £1.2m), an increase of 58%.

ATA grew its contribution to Group by 27% (£0.3m) with increased permanent placements (up 14% on prior year) and higher numbers of contractors (contract margin up 21% on prior year).

GSS increased its contribution by an impressive 70% (£0.4m) by expanding its contractor base with its core client and delivering a full year of the new contract won in July 2017.

Ganymede's contribution increased by 8% (£0.1m). Its rail division had a strong second half following lower than anticipated volumes in the first half. Although Ganymede Energy was still experiencing temporary delays caused by the approval of smart-meter technology. Also, the new accounting standard IFRS 15 has altered the treatment of certain costs relating to long-term contracts which impacted Ganymede's first half result (refer note 1).

Within Central Services revenue from the Derby site continued to grow steadily. Car park improvement works completed during the year will facilitate further growth in activity. A new 15-year lease for the site was also negotiated together with a £425,000 capital contribution from the landlord which comprised a cash contribution towards the expenditure on the car park of £305,000 and a rent-free period to the value of £120,000. The renewal of the lease also resulted in the release of an accrued liability of £418,000 originally established to spread the previous lease costs over the term of the lease.

Taxation

The tax charge for the year was £0.4m (2017: £0.2m). 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 £326,984 (2017: £277,363) which represents a payment of 2.3p per share (2017: 2.0p) and an interim dividend of £184,817 (2017: £167,618) to its equity shareholders. This represents a payment of 1.3p (2017: 1.2p) per share. In total dividend payments of £511,801 (2017: £444,981) which equate to 3.6p per share (2017: 3.2p) were made during the year (refer note 10).

A final dividend for the year ended 31 December 2018 of £362,780 (2017: £321,267) has been proposed but has not been accrued within these financial statements. This represents a payment of 2.55p (2017: 2.3p) per share.

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 £3.1m (2017: £2.0). The ratio of current assets to current liabilities has improved slightly at 1.3 (2017: 1.2). The Group's gearing ratio, which is calculated as total borrowings over net assets was 0.9 (2017: 1.2). The Group has no term debt and is financed using its invoice discounting and overdraft facility with HSBC. Interest cover was 16.4 (2017: 15.4).

Financing

The Group's current bank facilities include an overdraft of £50,000 and an invoice discounting facility of up to £9.0m with HSBC which has just been renewed for a further two-year period at a reduced discount margin of 1.5% above base (previously 1.65% above base). An increase in 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 Group generated sufficient cash from operating activities to finance its investment plans and dividend policy as shown in the consolidated statement of cash flows.

Own shares held

The cost of the Group's own shares purchased through the Employee Benefit Trust is shown as a deduction from equity. 258,554 options were exercised during the year and own shares held in the EBT were used to satisfy this demand. The balance of £291,919 on the own shares held reserve within equity reflects 417,027 shares remaining in the EBT that will be used to satisfy future exercises.

S L Dye

S L Dye
Group Finance Director

24 February 2019

Director's report

For the year ended 31 December 2018

The directors submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2018.

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 £87.8m (2017: £71.7m). The Group recorded a profit from operations for the year of £2.0m (2017: £1.2m).

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

During the year, the Company paid an interim dividend of £184,817 (2017: £167,618) to its equity shareholders. This represents a payment of 1.3p (2017: 1.2p) per share. The directors have proposed a final dividend of £362,780 (2.55p per share) (2017: £321,267, 2.3p per share) to be paid on 7 June 2019 to shareholders registered on 9 May 2019. 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 19.

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

Directors' interests in the 1p ordinary shares of the Company and their share options are set out in note 7. B W May retires by rotation and offers himself for re-election.

Significant shareholders

Interests exceeding 3% of the issued ordinary share capital of the Company that had been notified at 1 February 2019 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%
D Stredder	825,000	5.63%
A M Pendlebury	696,871	4.76%
G J Chivers	525,809	3.39%

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:

	2018	2017
W J C Douie	**2,409,113**	2,305,541
A M Pendlebury	**696,871**	696,871
S L Dye	**43,000**	43,000
B W May	**30,000**	30,000

The market price of the Company's shares on 31 December 2018 was 51.0p and the highest and the lowest share prices during the year were 61.5 p and 48.5p respectively. The total expense recognised in the statement of comprehensive income in respect of share-based payments was £240,000 (2017: £119,570).

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 issued share options to some staff during the year.

Director's report

For the year ended 31 December 2018

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 in our business activities. We do this through our EDI training programme 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 Group 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. To facilitate this, we are rolling out an Employee Engagement survey to give our employees a voice and to understand how we can continually improve working life. The first survey produced positive results and identified a few changes to working practices which we are now trialling.

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. All staff are invited to attend the Group's annual awards dinner at which both individual and subsidiary company 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.

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 £1,859,000 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 £5,236,000, its bank facilities which have been agreed until February 2020 and the Group's forecasts for the next 18 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.

Director's report

For the year ended 31 December 2018

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 21.

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 they have been prepared in accordance with IFRSs as adopted by the European Union, 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

S L Dye

S L Dye
Secretary

24 February 2019

Corporate governance statement

For the year ended 31 December 2018

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.

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. Each Board member attended the following number of Board meetings: W J C Douie (12), A M Pendlebury (11), S L Dye (11) and B W May (5). 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 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, he 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 business from the Group 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 five 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.

Corporate governance statement

For the year ended 31 December 2018

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 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 taking into account 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 a remuneration committee and an audit committee.

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 2018. The 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.

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 meeting held in 2018. 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.

Corporate governance statement

For the year ended 31 December 2018

Engagement with shareholders

The Board values the views of its shareholders. 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 of by offering a chance to meet with the shareholder to explain the Board's position.

Internal control

Internal control systems are designed to meet the needs of the Group and the risks to which it is exposed, and by their nature 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 are 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.
- **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. An annual programme of specialist operational reviews that is focused on key risk areas is approved by the audit committee and carried out by external specialists who are independent of the Group's management team.

W J C Douie

W J C Douie
Chairman

24 February 2019

Remuneration report

For the year ended 31 December 2018

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 section D (remuneration) of the UK Corporate Governance Code in determining remuneration packages.

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 2018, the Company contributed an amount equal to 15% of SL Dye's salary.

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. Details of the plan for executive directors are set out below. Awards made in the year are in note 7.

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 2018 awards were made to three executive directors based on the financial results for the year ended 31 December 2017, each award representing a maximum of 100% of basic salary as at 31 December 2017.

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:

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%

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. Details of the awards 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.

On behalf of the Board

W J C Douie

W J C Douie
Chairman

24 February 2019

Independent Auditor's report to the members of RTC Group Plc

For the year ended 31 December 2018

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 2018 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated statement of cash flows and 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 2018 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 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

For the year ended 31 December 2018

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Revenue recognition	How we addressed the matter in our audit
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, with details relating to the adoption of IFRS 15 Revenue from contracts with customers ("IFRS 15") set out in note 1 and note 25. Further analysis of the Group's revenue is included in note 5. We consider that the management judgements associated with completeness and accuracy of the disclosures upon the first year adoption of IFRS 15 on transition from IAS 18 Revenue gives rise to a risk of material misstatement. The risk of material misstatement from potential errors in revenue recognition concerns the timing of recognition around the year end, particularly in relation to contractor placements. Revenue is recognised as the service is provided and the judgement relates to estimating the time worked by contractors but not approved by customers at the statement of financial position date. In view of the judgments involved and the significance of these matters to the determination of Group revenue, we consider this to be an area giving rise to a significant risk of material misstatements in the financial statements.	We considered whether the revenue and cost recognition policies comply with Accounting Standards, having particular regard to the adoption of IFRS 15. We compared management's impact assessment of the adoption of IFRS 15, together with supporting information and analysis, with the principles of the accounting standard and disclosure requirements. We examined a sample of contractor and permanent placement contract terms and challenged the judgments involved in the recognition of revenue and costs, including contractual mobilisation costs, training commitments and differential pricing structures against the requirements of the accounting standard. In relation to recruitment revenue, we performed audit procedures that included agreeing a sample of timesheets, placement contracts, customer approvals and contractor costs around the year end to gain assurance that the costs and associated revenue have been recognised in the correct period and reflect the timing of the service provided. We tested the subsequent collection of trade receivables and considered whether any unpaid amounts were indicative of issues with the existence of revenue in the year. We also agreed a sample of manual journals posted to revenue to supporting documentation to check they were appropriately recorded. We have no matters to communicate in respect of revenue recognition.

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 against 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 £95,000 (2017 - £67,000), which was based on 5% of profit before tax.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £71,250 (2017 - £50,250) which represents 75% (2017 - 75%) of the above materiality levels.

Materiality in respect of the audit of the parent company has been set at £90,000 (2017 - £50,000) using a benchmark of 2% of total assets capped by reference to group materiality, (2017 - 1.5% of total assets capped by reference to group materiality).

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £4,750 (2017 - £3,350), which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group manages its operations from the Derby Conference Centre with regional offices at various locations throughout the UK and overseas to support its subsidiaries day to day operations. As 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.

The Group engagement team carried out statutory audits for all companies in the group except for the dormant companies and the overseas trading subsidiary as they were not assessed as significant components of the Group.

Our audit work on each statutory subsidiary audit was executed at levels of materiality applicable to the individual entity which was lower than Group materiality. Financial statement materiality applied to the relevant subsidiaries of the Group was in the range of £32,000 to £90,000.

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.

Independent Auditor's report to the members of RTC Group Plc

For the year ended 31 December 2018

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 set out on page 12, 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 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 at: 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

Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham, UK

24 February 2019

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 2018

	Notes	2018 £'000	2017 Restated £'000
Revenue	3.1,4,5	**87,806**	71,687
Cost of sales		**(73,908)**	(59,710)
Gross profit		**13,898**	11,977
Administrative expenses		**(11,918)**	(10,730)
Profit from operations	6	**1,980**	1,247
Finance expense	8	**(121)**	(81)
Profit before tax		**1,859**	1,166
Tax expense	9	**(419)**	(183)
Profit after tax for the year and total comprehensive income		**1,440**	983
Earnings per ordinary share			
Basic	10	**10.20p**	7.07p
Fully diluted	10	**9.36p**	6.61p

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2017 (as previously stated)	**146**	**120**	**(473)**	**50**	**215**	**4,131**	**4,189**
Prior year adjustment – IFRS 15 Revenue from contracts with customers (see notes 1 and 25)	**–**	**–**	**–**	**–**	**–**	**(138)**	**(138)**
Balance at 1 January 2018 (as restated)	**146**	**120**	**(473)**	**50**	**215**	**3,993**	**4,051**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,440**	**1,440**
Dividends (note 10)	**–**	**–**	**–**	**–**	**–**	**(512)**	**(512)**
Share options exercised	**–**	**–**	**181**	**–**	**(76)**	**(88)**	**17**
Share based payment charge	**–**	**–**	**–**	**–**	**240**	**–**	**240**
At 31 December 2018	**146**	**120**	**(292)**	**50**	**379**	**4,833**	**5,236**

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	145	96	(473)	50	95	3,455	3,368
Total comprehensive income for the year (as restated)	–	–	–	–	–	983	983
Dividends (note 10)	–	–	–	–	–	(445)	(445)
Share options exercised	1	24	–	–	–	–	25
Share based payment charge	–	–	–	–	120	–	120
At 31 December 2017 (as restated)	146	120	(473)	50	215	3,993	4,051

Share capital

The nominal value of share capital subscribed for.

Share premium account

The amount subscribed for share capital over and above the nominal value of the shares.

Capital redemption reserve

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

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

Share based payment reserve

The cumulative share option charge under IFRS 2 less the value of any share options that have been exercised or have lapsed.

Retained earnings

All net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Consolidated statement of financial position

As at 31 December 2018

	Note	2018 £'000	2017 Restated £'000
Assets			
Non-current			
Goodwill	11	**132**	132
Other intangible assets	12	**306**	472
Property, plant and equipment	13	**1,648**	1,410
Deferred tax asset	14	**66**	84
		2,152	2,098
Current			
Cash and cash equivalents		**92**	161
Inventories	15	**8**	6
Trade and other receivables	16	**15,811**	13,052
		15,911	13,219
Total assets		**18,063**	15,317
Liabilities			
Current			
Trade and other payables	17	**(7,863)**	(6,310)
Corporation tax		**(261)**	(176)
Current borrowings	17	**(4,639)**	(4,712)
		(12,763)	(11,198)
Non-current liabilities			
Deferred tax liabilities	18	**(64)**	(68)
Net assets		**5,236**	4,051
Equity			
Share capital	19	**146**	146
Share premium		**120**	120
Capital redemption reserve		**50**	50
Own shares held		**(292)**	(473)
Share based payment reserve		**379**	215
Retained earnings		**4,833**	3,993
Total equity		**5,236**	4,051

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 24 February 2019 by:

A M Pendlebury

A M Pendlebury
Director

S L Dye

S L Dye
Director

Consolidated statement of cash flows

For the year ended 31 December 2018

	Note	2018 £'000	2017 Restated £'000
Cash flows from operating activities			
Profit before tax		**1,859**	1,166
Adjustments for:			
Depreciation, loss on disposal and amortisation		**412**	399
Employee equity settled share options charge		**240**	120
Change in inventories		**(2)**	6
Change in trade and other receivables		**(2,739)**	(1,869)
Change in trade and other payables		**1,553**	881
Cash inflow from operations		**1,323**	703
Income tax paid		**(320)**	(226)
Net cash inflow from operating activities		**1,003**	477
Cash flows from investing activities			
Purchase of property, plant and equipment		**(504)**	(379)
Net cash used in investing activities		**(504)**	(379)
Cash flows from financing activities			
Movement on invoice discounting facility		**(73)**	423
Dividends paid		**(512)**	(445)
Proceeds from exercise of share options		**17**	25
Net cash outflow/(inflow) from financing activities		**(568)**	3
Net (decrease)/increase in cash and cash equivalents		**(69)**	101
Cash and cash equivalents at beginning of period		**161**	60
Cash and cash equivalents at end of period	20	**92**	161

Following consideration of the further guidance published during 2018, cash and cash equivalents have been represented to show the invoice discounting as financing.

Notes to the Group financial statements

For the year ended 31 December 2018

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 IFRC 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 Company's accounting reference date is 31 December. These financial statements are for the period 1 January 2018 to 30 December 2018. The comparative figures are for the period 2 January 2017 to 31 December 2017.

The Group has made a pre-tax profit of £1,859,000 (2017: £1,166,000) 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 £5,236,000 its bank facilities which have been agreed until February 2020 and the Group's trading and cash forecasts for the next 18 months, that the going concern basis of preparation is appropriate.

Adoption of standards

New accounting standards

The Group has adopted the following new standards (effective 1 January 2018) in these financial statements:

IFRS 15 Revenue from contracts with customers (effective 1 January 2018). IFRS 15 sets out a single and comprehensive framework for revenue recognition. The guidance in IFRS 15 replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue* and associated interpretations.

The core principle within IFRS15 is that a vendor should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue should be recognised by a vendor when or as control over the goods or services is transferred to the customer.

This core principles are in substance consistent with the basis upon which our previous revenue policy was predicated.

We have applied the fully retrospective method to transition to IFRS 15 and, having regard to the practical expedients, have assessed that for the current contracts within the Group there is no significant impact on revenue as previously recognised.

However, because of the definition of what qualifies as contract costs within IFRS 15 there were certain training costs that needed to be written off on the transition to IFRS 15. Deferred costs of £171,000 associated with certain contracts at 31 December 2017 (31 December 2016: £Nil) were identified which did not meet the recognition criteria in IFRS 15 and have been charged through retained earnings. Accordingly, the comparative figures have been restated to reflect the adoption of IFRS15, together with the associated tax impact (refer note 25).

The Group has not taken advantage of any practical expedients other than that contained in IFRS 15 paragraph 121 (a) relating to remaining performance obligations (refer note 5).

IFRS 9 Financial instruments (effective 1 January 2018). IFRS 9 addresses the classification and measurement of financial assets and liabilities and replaces IAS 39. Among other things, the standard introduced a forward-looking credit loss impairment model whereby entities need to consider and recognise impairment triggers that might occur in the future (an "expected loss" model).

Notes to the Group financial statements

For the year ended 31 December 2018

The Board has applied an expected credit loss impairment model to assess impairment losses on its financial assets measured at amortised cost (such as trade and contract assets) and determined, based on historic experience, that there is no significant impact on numbers reported in the financial statements for the year ended 31 December 2018 or as at 1 January 2018. Thus, the Group has not been required to restate comparatives on adoption of IFRS 9 (refer note 25).

In applying IFRS 9 the Group considered the probability of a default occurring over the contractual life of its trade receivables on initial recognition of those assets. Having looked at the historical losses and having regard to the current and future performance of its counterparties, it has been concluded that any changes to the amounts previously recognised were not material.

The impact of new standards that have been issued but are not yet effective has also been considered, the most significant being IFRS 16. Whilst the Board has reviewed the implications for the Group and determined the likely impact, they have decided that early adoption is not appropriate.

IFRS 16 Leases (effective 1 January 2019) IFRS 16 sets out the principles for recognition, measurement and presentation of leases and will replace IAS 17 Leases. Adoption of IFRS 16 will result 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 will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets, impacting profit from operations and the finance expense. The standard is effective for accounting periods beginning on or after 1 January 2019 and contains several options and exemptions which are available at initial adoption. The Board have reviewed the expected impact of this standard and their current assessment, based on applying the modified retrospective transition method and adopting certain practical expedients, is that the right of use asset to be recognised as the 1 January 2019 will be approximately £4m, together with a corresponding lease obligation of £4m. The impact on profit before tax for the Group for the financial year ended 31 December 2019 is not expected to be material and there will be no impact on opening equity at 1 January 2019.

IFRIC23 Uncertainty over income tax positions IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

The Group does not expect this, or 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.

Judgements

Contracts with customers

The Group has one contract whereby there is a guaranteed minimum revenue over the three-year 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.

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 taking into account 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 contract liabilities in respect of timesheets that are yet to complete the submission and approval process and the associated revenue earned at 31 December 2018. Further details of the related contract assets and liabilities are included in note 5.

Notes to the Group financial statements

For the year ended 31 December 2018

3. Accounting policies

The principle accounting policies, which reflect the adoption of IFRS 9 and IFRS 15 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.

Performance obligations and timing of revenue recognition

The majority 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 at a point 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 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 settled over time with the quantum of revenue generating 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 contract liabilities. 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 and 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.

Revenue from conferencing

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 conferencing 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 within the Group's conferencing facilities are recognised when the goods or services are provided, with any amounts recovered 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.

The Company's accounting reference date is 31 December. These financial statements are for the period 1 January 2018 to 30 December 2018. The comparative figures are for the period 2 January 2017 to 31 December 2017.

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.

Notes to the Group financial statements

For the year ended 31 December 2018

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 amounts 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 (estimated to be 5 years). 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.

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.

Notes to the Group financial statements

For the year ended 31 December 2018

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 Operating leases

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

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.

Notes to the Group financial statements

For the year ended 31 December 2018

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 5. 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 overdrafts. The overdrafts 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.

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.

Notes to the Group financial statements

For the year ended 31 December 2018

4 Segment analysis

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

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

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

The Group's reportable segments, recruitment and central services, are strategic business units that offer different products and services. They are managed separately because each business requires different technologies and marketing strategies. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Group Board. The Group manages the trading performance of each segment by monitoring operating contribution and centrally manages working capital, borrowings and equity.

Revenues are generated from permanent and temporary recruitment and long-term contracts for labour supply in the recruitment division. Revenue is analysed by origin of customer/point of invoicing in note 5.

During 2018, one customer in GSS contributed 10% or more of total revenue being £14.0m (2017: £9.8m) and one customer in Ganymede also contributed 10% or more of total revenue being £21.4m (2017: £20.4m).

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

	Recruitment			Central Services	Total Group
	ATA £'000	GSS £'000	Ganymede £'000	£'000	£'000
External sales revenue	**35,259**	**14,805**	**36,046**	**1,696**	**87,806**
Cost of sales	**(29,224)**	**(12,976)**	**(30,884)**	**(824)**	**(73,908)**
Gross profit	**6,035**	**1,829**	**5,162**	**872**	**13,898**
Administrative expenses*	**(4,291)**	**(917)**	**(3,077)**	**(3,222)**	**(11,507)**
Amortisation of intangibles*	**(52)**	**–**	**(130)**	**–**	**(182)**
Depreciation*	**(44)**	**(4)**	**(35)**	**(146)**	**(229)**
Profit from operations	**1,648**	**908**	**1,920**	**(2,496)**	**1,980**
Tax expense					**(419)**

* combine to represent administrative expenses of £11,918,000 in the consolidated statement of comprehensive income.

Notes to the Group financial statements

For the year ended 31 December 2018

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

	Recruitment				
	ATA £'000	GSS £'000	Ganymede £'000	Central Services £'000	Total Group £'000
External sales revenue	29,166	10,259	30,683	1,579	71,687
Cost of sales	(24,056)	(9,047)	(25,862)	(745)	(59,710)
Gross profit	5,110	1,212	4,821	834	11,977
Administrative expenses*	(3,710)	(673)	(2,887)	(3,062)	(10,332)
Amortisation of intangibles*	(48)	–	(131)	–	(179)
Depreciation*	(52)	(2)	(33)	(132)	(219)
Profit from operations	1,300	537	1,770	(2,360)	1,247
Tax expense					(183)

* combine to represent administrative expenses of £10,730,000 in the consolidated statement of comprehensive income.

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

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.

For the year ended 31 December 2018:

	ATA £'000	**GSS £'000**	**Ganymede £'000**	**Central Services £'000**	**Total £'000**
Geographic origin of customer/point of invoicing:					
United Kingdom	**35,259**	**14,017**	**36,046**	**1,696**	**87,018**
United States of America	**–**	**788**	**–**	**–**	**788**
	35,259	**14,805**	**36,046**	**1,696**	**87,806**
Revenue by product type:					
Permanent placements	**2,628**	**788**	**172**	**–**	**3,588**
Temporary placements	**32,631**	**14,017**	**35,874**	**–**	**82,522**
Conferencing	**–**	**–**	**–**	**1,696**	**1,696**
	35,259	**14,805**	**36,046**	**1,696**	**87,806**
Contract counterparties B2B	**35,259**	**14,805**	**36,046**	**1,696**	**87,806**
Timing of transfer of services:					
Point in time (start date for permanent placements)	**2,628**	**788**	**172**	**–**	**3,588**
Over time (with invoices raised periodically over the term of the placement)	**32,631**	**14,017**	**35,874**	**–**	**82,522**
Point in time (having provided the service for conferencing)	**–**	**–**	**–**	**1,696**	**1,696**
	35,259	**14,805**	**36,046**	**1,696**	**87,806**

Notes to the Group financial statements

For the year ended 31 December 2018

For the year ended 31 December 2017:

	ATA £'000	GSS £'000	Ganymede £'000	Central Services £'000	Total £'000
Geographic origin of customer/point of invoicing:					
United Kingdom	29,166	9,821	30,683	1,579	71,249
United States of America	–	438	–	–	438
	29,166	10,259	30,683	1,579	71,687
Revenue by product type:					
Permanent placements	2,300	438	298	–	3,036
Temporary placements	26,866	9,821	30,385	–	67,072
Conferencing	–	–	–	1,579	1,579
	29,166	10,259	30,683	1,579	71,687
Contract counterparties B2B	29,166	10,259	30,683	1,579	71,687
Timing of transfer of services:					
Point in time (start date for permanent placements)	2,300	438	298	–	3,036
Over time (with invoices raised periodically over the term of the placement)	26,866	9,821	30,385	–	67,072
Point in time (having provided the service for conferencing)	–	–	–	1,579	1,579
	29,166	10,259	30,683	1,579	71,687

Contract balances

	Contract assets 2018 £'000	Contract assets (as restated) 2017 £'000	**Contract liabilities 2018 £'000**	Contract liabilities 2017 £'000
At 1 January	**1,612**	1,185	**(1,813)**	(1,514)
Transfers in the period from contract assets to trade receivables	**(1,441)**	(1,185)	**–**	–
Excess of revenue recognised over amounts invoiced (or rights to cash) being recognised during the period	**1,535**	1,441	**–**	–
Movement in amounts included in contract liabilities that were invoiced but not recognised as revenue during the period	**–**	–	**(137)**	(299)
At 31 December	**1,706**	1,441	**(1,950)**	(1,813)

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 arise from the Group's recruitment division and relate to temporary placements whereby performance obligations have been met but invoices had not been raised at the date of the statement of financial position as the relevant Group companies were waiting for signed timesheets from their customers. Invoices are usually raised in the week following the date of the statement of financial position.

Notes to the Group financial statements

For the year ended 31 December 2018

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 2018 the amount of revenue that will be recognised in future periods (2019-2020) relating to this contract was in the region of £9.8m.

The Group has applied the exemption in paragraph c5(d) of the transitional rules in IFRS 15 and therefore has not disclosed the amount of revenue that will be recognised in future periods for the comparative period.

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

	2018 £'000	2017 £'000
Profit on Group operations for the year is stated after charging/(crediting):		
Loss on asset disposals	**3**	–
Depreciation of owned property, plant and equipment	**228**	219
Amortisation of intangibles	**181**	180
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**20**	15
Fees payable to the Company's auditor for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**36**	38
– tax compliance	**10**	5
– other non-audit services	**11**	2
Operating lease expense in respect of:		
– land and buildings	**576**	578
Foreign exchange differences	**(32)**	16
Share based payments	**240**	120
Release of creditor on change of lease at the Derby site[1]	**(418)**	–
Customer remediation costs[2]	**126**	–

[1] A new lease was entered into in respect of the Derby site and, in accordance with the accounting policy on leases (note 3.9), the total cost of the lease accrued because rentals were previously being charged evenly over the life of the lease (which 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.

[2] Customer remediation costs represent the cost of a settlement reached with a client over the interpretation of terms of business.

Notes to the Group financial statements

For the year ended 31 December 2018

7. Directors and employees' remuneration

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

	2018 £'000	2017 £'000
Wages and salaries	7,655	6,466
Social security costs	838	697
Other pension costs	320	231
	8,813	7,394

As at 31 December 2018 there were pension contributions of £76,570 (2017: £52,253) outstanding.

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

	Number 2018	Number 2017
Sales and administration staff	157	147
Conference support staff	57	52
	214	199

Directors' remuneration

The remuneration of the directors was as follows:

	Salary £'000	Bonus £'000	Benefits in kind £'000	Sub-total £'000	Pension contributions £'000	Total £'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**
Total	**515**	**436**	**35**	**986**	**24**	**1,010**

* Included within salary for A M Pendlebury is an amount of £Nil (2017: £31,500) paid as salary in lieu of pension contributions. Share-based payments of £185,442 were charged in the year in respect of options granted to directors. Employers NI of £154,008 was paid in respect of remuneration above.

The information for the prior reporting period is as follows:

	Salary £'000	Bonus £'000	Benefits in kind £'000	Sub-total £'000	Pension contributions £'000	Total £'000
W J C Douie	50	49	6	105	–	105
A M Pendlebury*	241	163	26	430	–	430
S L Dye	150	49	12	211	23	234
B W May	30	–	–	30	–	30
Total	471	261	44	776	23	799

* Included within salary for A M Pendlebury is an amount of £31,500 (2016: £24,000) paid as salary in lieu of pension contributions. Share-based payments of £76,130 were charged in the year in respect of options granted to directors. Employers NI of £107,000 was paid in respect of remuneration above.

Notes to the Group financial statements

For the year ended 31 December 2018

Share based employee remuneration

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

	Number	Weighted average exercise price (pence) 2018	Number	Weighted average exercise price (pence) 2017
Outstanding at start of period	**1,576,788**	**6**	1,572,502	10
Granted	**908,407**	**3**	284,286	–
Lapsed	**50,036**	**–**	180,000	18
Exercised (refer note 19)	**258,554**	**7**	100,000	26
Outstanding at end of period	**2,176,605**	**5**	1,576,788	6

The company operates two share option plans: the EMI 2001 Share Option Scheme and the Long-Term Incentive Plan 2015 ("LTIP"). The directors have determined the volatility for options granted during the year using computations based on historical share prices:

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) 2018	Weighted average contractual life (months) 2018	Number	Weighted average exercise price (pence) 2017	Weighted average contractual life (months) 2017
2016 (up to 2022)	**–**	**–**	**–**	75,000	9	49
2016 (up to 2023)	**10,000**	**16**	**60**	20,000	16	69
2017 (up to 2024)	**255,000**	**29**	**63**	290,000	29	75
2018 (up to 2025)	**296,412**	**–**	**77**	485,002	–	89
2019 (up to 2026)	**422,500**	**–**	**87**	422,500	–	99
2020 (up to 2027)	**284,286**	**–**	**100**	284,286	–	112
2021 (up to 2028)	**908,407**	**3**	**111**	–	–	–

The exercise prices of options range from nil to 16.0p, 25.5p, 38.0p and 52.5p. At the end of the period 561,412 options were exercisable (2017: 385,000).

Notes to the Group financial statements

For the year ended 31 December 2018

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

Date exercisable (and option life)	**At 1 January 2018**	**Granted**	**Exercised**	**At 31 December 2018**	Date of grant	Exercise price
EMI Options						
W J C Douie	75,000	–	(75,000)	**–**	27 Jan 2012	9p
S L Dye	110,000	–	–	**110,000**	22 May 2015	Nil
LTIP Options						
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

The value of directors' share options vesting in the period was £189,000 (2017: £26,600). The aggregate gains made by directors on exercising share options was £28,868 (2017: £Nil).

The value of the highest paid directors' share options vesting in the period was £90,000 (2017: £Nil). The aggregate gains made by the highest paid director on exercising share options was £Nil (2017: £Nil).

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

Date exercisable (and option life)	**At 1 January 2017**	**Granted**	**Exercised**	At 31 December 2017	Date of grant	Exercise price
EMI Options						
W J C Douie	75,000	–	–	75,000	27 Jan 2012	9p
S L Dye	110,000	–	–	110,000	22 May 2015	Nil
LTIP Options						
W J C Douie	78,572	28,571	–	107,143	17 Mar 2017	Nil
A M Pendlebury	353,572	120,000	–	473,572	17 Mar 2017	Nil
S L Dye	200,358	85,715	–	286,073	17 Mar 2017	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

In 2018 awards were made to three executive directors based on the financial results for the year ended 31 December 2017, each award representing a maximum of 100% of basic salary as at 31 December 2017. 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

	2018 £'000	2017 £'000
Interest charge on invoice discounting arrangements and overdrafts	**121**	81

Notes to the Group financial statements

For the year ended 31 December 2018

9. Tax expense

Continuing operations	2018 £'000	2017 Restated £'000
Current tax		
UK corporation tax	**367**	252
Adjustments in respect of previous period	**38**	5
	405	257
Deferred tax		
Origination and reversal of temporary differences	**14**	(74)
Tax	**419**	183

Factors affecting the tax expense

The tax assessed for the year is higher than (2017: lower than) would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

Factors affecting tax expense

	2018 £'000	2017 Restated £'000
Result for the year before tax	**1,859**	1,166
Profit multiplied by standard rate of tax of 19% (2017: 19.25%)	**353**	224
Non-deductible expenses	**87**	24
Tax credit on exercise of options	**(25)**	(8)
Other differences	**(34)**	(38)
Previously unrecognised deferred tax asset	**–**	(24)
Adjustment in respect of previous period	**38**	5
	419	183

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.

Notes to the Group financial statements

For the year ended 31 December 2018

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	
	2018	2017 Restated	**2018**	2017 Restated
Earnings £'000	**1,440**	983	**1,440**	983
Basic weighted average number of shares	**14,114,625**	13,907,304	**14,114,625**	13,907,304
Dilutive effect of share options	**–**	–	**1,263,737**	971,937
Fully diluted weighted average number of shares	**–**	–	**15,378,362**	14,879,241
Earnings per share (pence)	**10.20p**	7.07p	**9.36p**	6.61p

Details of share options in place can be found in note 7.

Dividends

	2018 £'000	2017 £'000
Final dividend of 2.3p per share (2017: 2.0p) proposed and paid during the year relating to the previous year's results.	**327**	278
Interim dividend of 1.3p per share (2017: 1.2p).	**185**	167
	512	445

A final dividend of £362,780 (2017: £321,267) has been proposed but has not been accrued within these financial statements. This represents a payment of 2.55p (2017: 2.3p) per share.

11. Goodwill

Gross carrying amount

	2018 £'000	2017 £'000
At 1 January	**132**	132
Movement in year	**–**	–
At 31 December	**132**	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.

Notes to the Group financial statements

For the year ended 31 December 2018

12. 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:

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

The carrying amounts for the prior period are as follows:

Gross carrying amount	Customer lists £'000	Software and licences £'000	Total £'000
At 1 January 2017	673	285	958
External additions	–	10	10
At 31 December 2017	673	295	968
Amortisation			
At 1 January 2017	275	41	316
Provided in year	132	48	180
At 31 December 2017	407	89	496
Net book amount at 31 December 2017	266	206	472
Net book amount at 31 December 2016	398	244	642

Notes to the Group financial statements

For the year ended 31 December 2018

13. Property, plant and equipment

	Short leasehold improvements £'000	Fixtures and office equipment £'000	Motor vehicles £'000	Capital work-in-progress £'000	Total £'000
Cost					
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**
Depreciation					
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**
Net book amount					
At 31 December 2018	**944**	**600**	**4**	**100**	**1,648**
At 31 December 2017	–	1,257	4	149	1,410

	Short leasehold improvements £'000	Fixtures and office equipment £'000	Motor vehicles £'000	Capital work-in-progress £'000	Total £'000
Cost					
At 1 January 2017	427	1,956	8	119	2,510
Additions	–	230	–	139	369
Transfer to fixtures and office equipment	–	109	–	(109)	–
At 31 December 2017	427	2,295	8	149	2,879
Depreciation					
At 1 January 2017	427	821	2	–	1,250
Charge for the year	–	217	2	–	219
At 31 December 2017	427	1,038	4	–	1,469
Net book amount					
At 31 December 2017	–	1,257	4	149	1,410
At 31 December 2016	–	1,129	6	125	1,260

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 2018 (2017: Nil).

Notes to the Group financial statements

For the year ended 31 December 2018

14. Deferred tax asset

	2018 £'000	2017 £'000
At 1 January	**84**	33
(Charge)/credit to the profit for the year	**(18)**	51
At 31 December	**66**	84

The deferred tax asset is analysed as:

Recognised	**2018 £'000**	2017 £'000
Provision in respect of tax losses carried forward	**1**	47
Short-term temporary timing differences	**65**	37

Unrecognised	**2018 £'000**	2017 £'000
Tax losses carried forward	**–**	–

The tax losses carried forward of £6,664 (2017: £278,526), have been 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.

15. Inventories

	2018 £'000	2017 £'000
Food, drink and goods for resale	**8**	6

Stock recognised in cost of sales during the year as an expense was £175,854 (2017: £170,117).

16. Trade and other receivables

The balance of trade receivables at the 1 January 2017 was £9,275,000.

	2018 £'000	2017 As restated £'000
Amounts falling due within one year:		
Gross trade receivables	**13,186**	10,845
Less: provision for impairment of trade receivables	**–**	(92)
Net trade receivables	**13,186**	10,753
Contract assets	**1,706**	1,441
Total financial assets other than cash and cash equivalents classified at amortised cost	**14,892**	12,194
Other receivables	**57**	40
Prepayments	**862**	818
	15,811	13,052

Notes to the Group financial statements

For the year ended 31 December 2018

Movement in impairment allowance for trade receivables:

	2018 £'000	2017 £'000
At 1 January	**92**	–
Increase during year	**–**	118
Receivable written off in year as uncollectable	**(30)**	(26)
Unused amounts reversed	**(62)**	–
At 31 December	**–**	92

Other classes of financial assets included within trade and other receivables do not contain impaired assets. The Group does not hold any collateral in respect of the above balances. They relate to customers with no default history. The carrying value of trade receivables and contract assets classified 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 2018 the lifetime expected credit loss provision for trade receivables and contract assets is as follows:

	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[1]	2	1	1	–	–

[1] Loss provision considered immaterial and therefore not provided. All gross carrying amounts relate to customers with no default history.

17. Liabilities

	2018 £'000	2017 As restated £'000
Trade and other payables		
Trade payables	**1,632**	1,693
Other taxes and social security costs	**2,424**	1,273
Other payables	**993**	628
Accruals	**864**	903
Contract liabilities	**1,950**	1,813
	7,863	6,310

At 31 December 2018 other payables included pension contributions amounting to £77,000 (2017: 56,000).

Notes to the Group financial statements

For the year ended 31 December 2018

The maturity of trade payables is between one and three months. The carrying value of trade payables approximates to the fair value.

Borrowings	2018 £'000	2017 £'000
Bank overdrafts	–	–
Invoice discounting arrangements	4,639	4,712
As at 31 December	4,639	4,712

During the year, the Group has used its bank overdraft, which is secured by a cross guarantee and debenture (fixed and floating charge over all assets) over all Group companies, and its invoice financing facility that is secured over the book debts of the Group. There have been no defaults of interest payable or unauthorised breaches of financing agreement terms during the current or prior year.

18. Deferred tax liability

	2018 £'000	2017 £'000
At 1 January	68	104
Credit to the profit for the year	(4)	(36)
At 31 December	64	68
The deferred tax liability consists of:		
Other timing differences	42	23
Business combinations	22	45

19. Share capital

Allotted, issued and fully paid – ordinary shares of 1p each:	2018 £'000	2017 £'000
As at 1 January 2018 14,643,707 shares (2017: 14,543,707 shares)	146	145
New shares issued Nil (2017: 100,000)	–	1
As at 31 December 2018 14,643,707 shares (2017: 14,643,707 shares)	146	146

Of the total issued shares of 14,643,707, there are 417,027 (2017: 675,581) own shares held in the RTC Group Employee Benefit Trust.

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

	At 1 January 2018 £'000	Cash Flows £'000	At 31 December 2018 £'000
Cash and cash equivalents	161	(69)	92

Included in the net cash figure above are cash and cash equivalents of £1,546,000 (2017: £1,733,000) and overdraft of £1,454,000 (2017: £1,572,000) which are subject to formal offset arrangements.

Notes to the Group financial statements

For the year ended 31 December 2018

21. 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 of directors. 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.

	2018 £'000	**2018 %**	2017 £'000	2017 %
Increase /(decrease) in net result and equity	**+1%**	**-1%**	+1%	-1%
£'000	**52**	**(52)**	42	(42)

The interest rate on the invoice discounting facility is 2.25% based on the year-end balance of £4,639,000 this gives an estimated annual interest charge for 2019 of £104,000.

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 an 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 16) 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 or specifically provided against exceed set credit limits and management does not expect any losses from non-performance by these counterparties.

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 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 considered to be low.

The Group has the financial assets set out in note 16. The Group's financial liabilities are as follows:

	2018 £'000	2017 As restated £'000
Trade and other payables		
Trade payables	**1,632**	1,693
Accruals	**864**	903
Invoice discounting	**4,639**	4,712
Contract liabilities excluding deferred income	**1,910**	1,769
	9,045	9,077

Notes to the Group financial statements

For the year ended 31 December 2018

All the Group’s financial liabilities mature in less than one year.

The Group’s financial assets and liabilities are valued at amortised cost (which equates to fair value) under the “SPPI “test outlined in IFRS 9. 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.

22. Operating lease commitments

As a lessee, the Group had commitments under non-cancellable operating leases on land and buildings with future minimum lease payments as follows:

	2018 £’000	2017 £’000
Within one year	**393**	393
Between two and five years	**1,060**	974
Over five years	**2,696**	2,024
Total	**4,149**	3,391

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

As at the balance sheet date £431,000 (2017: £524,000) is expected to be received under non-cancellable sub-leases. Split as follows:

	2018 £’000	2017 £’000
Within one year	**184**	136
Between two and five years	**247**	388
Total	**431**	524

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

23. Related party transactions

There were no amounts owed by or to related parties at 31 December 2018 (31 December 2017: £nil). There were no transactions with related parties during 2018 (2017: Purchases of goods from ATA India £21,000). The directors consider the key management personnel are the Group directors as listed in note 7.

24. 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.

Notes to the Group financial statements

For the year ended 31 December 2018

25. Effects of changes in accounting policies

The Group has adopted IFRS 9 and IFRS 15 with a transition date of 1 January 2018. As a result of the adoption of IFRS 15 deferred costs of £171,000 associated with certain contracts at 31 December 2017 (31 December 2016: £Nil) were identified which do not meet the recognition criteria in IFRS 15. Accordingly, the comparative figures have been restated to reflect the adoption of IFRS15, together with the associated tax impact as shown below. The adoption of IFRS 9 had no impact on the comparatives.

	31 December 2017 as originally presented £'000	IFRS 15 £'000	IFRS 9 £'000	1 January 2018 as restated £'000
Revenue	71,687	–	–	71,687
Cost of sales	(59,710)	–	–	(59,710)
Gross profit	11,977	–	–	11,977
Administrative expenses	(10,559)	(171)	–	(10,730)
Profit from operations	1,418	(171)	–	1,247
Finance expense	(81)	–	–	(81)
Profit before tax	1,337	(171)	–	1,166
Tax expense	(216)	33	–	(183)
Total comprehensive income for the year	1,121	(138)	–	983
Earnings per ordinary share:				
Basic	8.06p	(0.99p)	–	7.07p
Diluted	7.53p	(0.92p)	–	6.61p
Assets				
Non-current assets	2,098	–	–	2,098
Cash and cash equivalents	161	–	–	161
Inventories	6	–	–	6
Trade and other receivables	13,223	(171)	–	13,052
Total assets	**15,488**	**(171)**	**–**	**15,317**
Liabilities				
Trade and other liabilities	(6,310)	–	–	(6,310)
Corporation tax	(209)	33	–	(176)
Current borrowings	(4,712)	–	–	(4,712)
Deferred tax liabilities	(68)	–	–	(68)
Net assets	**4,189**	**(138)**	**–**	**4,051**
Share capital	146	–	–	146
Share premium	120	–	–	120
Own shares held	(473)	–	–	(473)
Reserves	265	–	–	265
Retained earnings	4,131	(138)	–	3,993
Total equity	**4,189**	**(138)**	**–**	**4,051**
Gearing ratio	**1.1**	**0.1**	**–**	**1.2**

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various interpretations issued by the IFRS Interpretation Committee. It has impacted the Group in respect of one contract for which certain mobilisation costs were previously to be amortised over the life of the contract. Under IFRS 15 these costs are now being written off as incurred. Comparatives have been restated as noted above.

RTC Group Plc

Company statutory financial statements

For the year ended 31 December 2018
(Prepared under FRS 101)

Company Number 02558971

Company statement of financial position

As at 31 December 2018

Company Number: 02558971

	Notes	**2018 £'000**	2017 £'000
Assets			
Non-current			
Investments	29	**937**	950
		937	950
Current			
Cash and cash equivalents		**–**	–
Trade and other receivables	30	**4,898**	4,289
Deferred tax asset	31	**64**	37
		4,962	4,326
Total assets		**5,899**	5,276
Liabilities			
Current			
Trade and other payables	32	**(1,009)**	(950)
Corporation tax		**(81)**	(44)
Inter Group treasury facility		**(626)**	(939)
		(1,716)	(1,933)
Net assets		**4,183**	3,343
Equity			
Share capital	34	**146**	146
Share premium		**120**	120
Own shares held		**(292)**	(473)
Capital redemption reserve		**50**	50
Share based payment reserve		**379**	215
Retained earnings		**3,780**	3,285
Total equity		**4,183**	3,343

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 £1,095,000 (2017: £1,099,000).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 24 February 2019 by:

S L Dye

S L Dye
Director

A M Pendlebury

A M Pendlebury
Director

The accompanying notes 26 to 37 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	**146**	**120**	**(473)**	**50**	**215**	**3,285**	**3,343**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,095**	**1,095**
Dividends	**–**	**–**	**–**	**–**	**–**	**(512)**	**(512)**
Share options exercised	**–**	**–**	**181**	**–**	**(76)**	**(88)**	**17**
Share based payment charge	**–**	**–**	**–**	**–**	**240**	**–**	**240**
At 31 December 2018	**146**	**120**	**(292)**	**50**	**379**	**3,780**	**4,183**

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	145	96	(473)	50	100	2,631	2,549
Total comprehensive income for the year	–	–	–	–	–	1,099	1,099
Dividends	–	–	–	–	–	(445)	(445)
Share options exercised	1	24	–	–	–	–	25
Share based payment charge	–	–	–	–	115	–	115
At 31 December 2017	146	120	(473)	50	215	3,285	3,343

Each reserve above is explained in the consolidated financial statements on page 22.

The following notes 26 to 37 form an integral part of these financial statements.

Notes to the Company financial statements

For the year ended 31 December 2018

26. 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.

The Company's accounting reference date is 31 December. These financial statements are for the period 1 January 2018 to 30 December 2018. The comparative figures are for the period 2 January 2017 to 31 December 2017.

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.

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.

(a) 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.

(b) Investments

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

(c) 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.

Notes to the Company financial statements

For the year ended 31 December 2018

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.

(d) 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.

(e) 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.

(f) Trade and other receivables

There are no trade receivables in 2018 (2017: 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.

(g) 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.

(h) 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.

(i) 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.

All the Company's financial liabilities mature in less than one year and are repayable on demand.

(j) 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.

Notes to the Company financial statements

For the year ended 31 December 2018

(k) 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.

(l) 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'.

258,554 options were exercised during the year and own shares held in the EBT were used to satisfy this demand. The balance of £291,919 on the own shares held reserve within equity reflects 417,027 shares remaining in the EBT that will be used to satisfy future exercises.

27. 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, taking into account 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.

28. Staff costs

	2018 £'000	2017 £'000
Wages and salaries	**1,658**	1,356
Social security costs	**205**	164
Other pension costs	**85**	76
	1,948	1,596

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

	Number 2018	Number 2017
Sales and administration staff	**30**	30

Notes to the Company financial statements

For the year ended 31 December 2018

29. Investments

Shares in subsidiary undertakings - Company	2018 £'000	2017 £'000
Cost at 1 January	**950**	966
Removal of cost of investments no longer held	**(13)**	(16)
Cost at 31 December	**937**	950
Provision for impairment at 31 December	**–**	–
Net book value at 31 December	**937**	950

At 31 December 2018, the Company held the share capital of the following subsidiary undertakings:

Subsidiaries	Proportion of ordinary share capital held	Nature of business
ATA Recruitment Limited	100%	Recruitment
The Derby Conference Centre Limited	100%	Conferencing
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

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.

30. Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings[1]	**4,695**	4,058
Prepayments	**203**	231
	4,898	4,289

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

[1] Amounts owed by Group undertakings are due on demand and interest free.

31. Deferred tax asset

	2018 £'000	2017 £'000
At 1 January	**37**	–
Charge to the profit for the year	**27**	37
At 31 December	**64**	37

The deferred tax asset is analysed as:

Recognised	2018 £'000	2017 £'000
Short-term temporary differences	**64**	37

Notes to the Company financial statements

For the year ended 31 December 2018

32. Trade and other payables

	2018 £'000	2017 £'000
Trade creditors	**469**	483
Other taxes and social security costs	**76**	69
Other creditors	**68**	80
Accruals and deferred income	**396**	318
	1,009	950

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

Inter Group treasury facility	2018 £'000	2017 £'000
Inter Group treasury facility	**626**	939

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.

33. Contingent liability

The Company has a cross guarantee and debenture (fixed and floating charge over all assets) with the Group's bankers in respect of net £50,000 (2017: £50,000) Group treasury facility extended to certain of the subsidiaries of the Company.

34. Share capital

Allotted, issued and fully paid – ordinary shares of 1p each:	2018 £'000	2017 £'000
As at 1 January 2018 14,643,707 shares (2017: 14,543,707 shares)	**146**	145
New shares issued Nil (2017: 100,000)	**–**	1
As at 31 December 2018 14,643,707 shares (2017: 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.

35. Transactions with related parties

Transactions with related parties not wholly owned or consolidated

There were no amounts owed by or to related parties at 31 December 2018 neither were there any transactions with related parties during 2018 (2017: £21,000 purchases of goods from ATA India which ceased to be a related party on 18 May 2017).

36. 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 £11,485 (2017: £13,733) of outstanding contributions.

37. Post balance sheet events

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

Notice of Annual General Meeting

RTC Group Plc incorporated and registered in England and Wales with company number 02558971

Notice is hereby given that the 2019 Annual General Meeting of RTC Group Plc (the "Company") will be held at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London, SE1 2AU on 24 April 2019 at 12 noon (the "Meeting") for the following purpose: -

To consider, and if thought fit, pass the following resolutions which will be proposed as to resolutions 1 to 7 as ordinary resolutions and as to resolutions 8 and 9 as special resolutions:

Ordinary Business

1. To receive and, if approved, to adopt the Directors' and Auditors' Report and the Financial Statements for the year ended 31 December 2018.

2. To receive and, if approved, to adopt the Remuneration Report for the year ended 31 December 2018.

3. To re-elect B W May, a director of the Company, who retires by rotation, as a director of the Company.

4. To re-appoint BDO LLP as auditors of the Company ("Auditors") from the conclusion of the Meeting in accordance with Section 489 of the Companies Act 2006 (the "Act"), until the conclusion of the next Annual General Meeting.

5. To authorise the directors to fix the Auditor's remuneration.

6. To declare a final dividend of 2.55 pence per share in respect of the year ended 31 December 2018.

Special Business

7. THAT in substitution of all previous authorities to the extent unused, the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Act, to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any securities into shares in the Company up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £43,931, this authority to expire on 30 June 2020 or the conclusion of the Annual General Meeting to be held in 2020 (whichever is earlier) unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make an offer or agreement which would or might require shares in the Company to be allotted or rights to subscribe for or to convert any securities into shares in the Company to be granted after such expiry and the directors may allot shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

8. THAT, subject to the passing of Resolution 7 above, the directors be and are hereby generally and unconditionally empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) and/or transfer equity securities held in treasury wholly for cash pursuant to the authority conferred by Resolution 7 above as if section 561 of the said Act did not apply to any such allotment or transfer of equity securities held in treasury, provided that this power shall be limited to the allotment and/or transfer of equity securities:

(a) in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders (excluding any shareholder holding shares as treasury shares) but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, record dates, legal or practical problems arising in, or pursuant to, the laws of any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

(b) otherwise than pursuant to paragraph 8 (a) above, up to an aggregate nominal amount of £14,643, provided that this power shall expire on 30 June 2020 or the conclusion of the Annual General Meeting of the Company to be held in 2020, (whichever is earlier) unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted and/or transferred after such expiry and notwithstanding such expiry and the directors may allot and/or transfer equity securities, in pursuance of such offer or agreement as if this power had not expired.

Notice of Annual General Meeting

RTC Group Plc incorporated and registered in England and Wales with company number 02558971

9. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of ordinary shares of 1p each in the capital of the Company provided that:

(a) the maximum number of ordinary shares of 1p each in the capital of the Company hereby authorised to be acquired is 1,464,371;

(b) the minimum price (exclusive of all expenses) which may be paid for such shares is 1p per share;

(c) the maximum price which may be paid for such shares is, in respect of a share contracted to be purchased on any day, an amount equal to 105 per cent. of the average of the middle-market prices shown in the quotations for ordinary shares of the Company in the Daily Official List of the London Stock Exchange on the five business days immediately preceding the day on which the share is contracted to be purchased;

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting following the date upon which this resolution was passed or 30 June 2020 (whichever is earlier); and

(e) the Company may contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuant of any such contract.

By Order of the Board

Registered Office:
The Derby Conference Centre
London Road
Derby
DE24 8UX
24 February 2019

Notice of Annual General Meeting

RTC Group Plc incorporated and registered in England and Wales with company number 02558971

Notes:

1. Only those members registered on the Company's register of members at

   - 6.00 p.m. on 18 April 2019; or
   - if this meeting is adjourned, at 6.00 p.m. on the date which is 48 hours prior to the time of the adjourned meeting;

   shall be entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001.

2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a show of hands or a poll, vote in his/her stead. A proxy need not be a member of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A member of the Company may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member is not entitled to appoint more than one proxy to exercise rights attached to any one share. Please contact the Company's Registrar at Computershare Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY if you wish to appoint more than one proxy.

4. A proxy form for use in connection with the meeting accompanies this report and accounts. Additional copies may be obtained from the registered office. The proxy form and any power of attorney under which it is signed must be lodged at the address printed on the proxy form not less than 48 hours before the time appointed for holding the meeting. The fact that members may have completed forms of proxy will not prevent them from attending and voting in person should they afterwards decide to do so.

5. Alternatively, if you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service.

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual (available via www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual.

   The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (Computershare) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of Annual General Meeting

RTC Group Plc incorporated and registered in England and Wales with company number 02558971

6. In the case of joint holders, where more than one of the joint-holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

7. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.

8. Copies of the directors' service contracts, copies of letters of appointment between the Company and the Non-Executive Director and a copy of the existing Memorandum and Articles may be inspected during usual business hours on any weekday (public holidays excepted) at the registered office of the Company from the date of this Notice of Annual General Meeting until the date of the Meeting and at the place of the Meeting from 11.45 a.m. until the Meeting's conclusion.

9. If shareholders approve the recommended final dividend proposed by resolution 6, this will be paid on 7 June 2019 to all holders of shares who are on the register of members at the close of business on 10 May 2019 with an ex-dividend date of 9 May 2019.

10. Except as provided above, shareholders who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

(a) calling our shareholder helpline on 0370 889 3202.

You may not use any electronic address provided either:

(a) in this notice of annual general meeting; or

(b) any related documents (including the chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.

Shareholder Notes

Directors and advisers

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

Company secretary
S L Dye

Nominated adviser
Spark Advisory Partners
5 St John's Lane
London
EC1M 4BH

Banker
HSBC Plc
1 St Peters Street
Derby
DE1 2AE

Auditor
BDO LLP
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Registered office
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Solicitor
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