2020

Connecting business and career ambitions

RTC GROUP

Annual Report

for the year ended 31 December 2020

www.rtcgroupplc.co.uk
Stock Code: RTC

Welcome to the RTC Group Annual Report 2020

Highlights

Group revenue	Profit from operations	Basic EPS
£81.4m	**£1.1m**	**4.66p**
(2019:£94.9m)	(2019:£2.0m)	(2019:9.60p)

Group at a glance

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

UK division

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

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

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

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

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

International division

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

Learn More

RTC Group 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

Contents

Chairman's statement

For the year ended 31 December 2020

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

Group

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

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

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

During the year full use has been made of Government initiatives established to assist the UK Economy which have assisted all our businesses to continue to operate normally, albeit at reduced levels.

Our UK technical and engineering recruitment operations, now part of Ganymede, had a difficult year in fragile market conditions, but were able to produce a creditable trading result. In other areas, Ganymede continued to prosper with slightly reduced levels of demand in both rail and infrastructure and in the energy division despite the slower than expected growth of our contract to train and supply operatives to serve the roll out of the Government smart meter policy.

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

Capital investment

We continue to invest in the development of our businesses.

Dividends

In the conditions which have unfolded in 2020 it was considered prudent to suspend the payment of dividends and to concentrate on balance sheet improvement in preparation for the expected need to invest in business changes and developments in the future. It is unlikely that we will be recommending a return to payments in the near future.

Staff

I should like to thank our staff at all levels for their loyalty, hard work and enthusiasm during the course of a most taxing year.

Outlook

On a positive note, we remain confident that the present global medical emergency will eventually be put behind us, but we see no signs of that at this time as we pin our hopes on science and vaccines. Notwithstanding that expectation, the process of recovery as it comes is likely to suffer for some time from the aftershocks from these conditions and the inevitable re-shaping of human behaviour coupled with the continued efforts to reduce the carbon footprints of world energy production and consumption and the settling down of our departure from the EU. We believe that we have explored these matters and that we have a roadmap for successful trading in the years to come. The establishment of strong and stable Government, the passing at long last of our exit from the European Union and the establishment of a robust trading arrangement with Europe, give us cause to anticipate more a predictable and promising future.

W J C Douie

W J C Douie
Chairman

21 February 2021

Chief Executive's operational and strategic review

For the year ended 31 December 2020

Overview

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

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

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

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

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

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

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

Impact of COVID

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

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

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

Unlike other parts of the Group that suffered predominantly revenue-based implications, COVID's impact on our largest business, Rail, presented more operational and cost-based challenges as the Government declared the sector an essential industry and all employees engaged were given key worker status. In order to protect our workers, our own and client employees and members of the public, enhanced levels of detailed risk assessment including: travel to and from operational sites and track locations; reduced numbers of operatives per vehicle along with design and installation of protective vehicle screening; sourcing, preparing and

Chief Executive's operational and strategic review

For the year ended 31 December 2020

deploying thousands of additional pieces of personal protective equipment along with hundreds of additional vehicles at short notice; and through the training and employment of a significant number of COVID Marshalls to ensure the safe implementation of and adherence to new COVID secure working process and procedures. This has been and remains a huge logistical challenge for the sector and through working in close collaboration with other suppliers and competitors and being financially supported and guided by Network Rail the sector has managed to keep essential rail maintenance and enhancement activities fully operational during the pandemic.

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

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

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

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

Business review

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

UK division

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

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

Chief Executive's operational and strategic review

For the year ended 31 December 2020

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

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

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

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

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

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

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

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

Chief Executive's operational and strategic review

For the year ended 31 December 2020

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

International division

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

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

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

Outlook

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

Our People

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

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

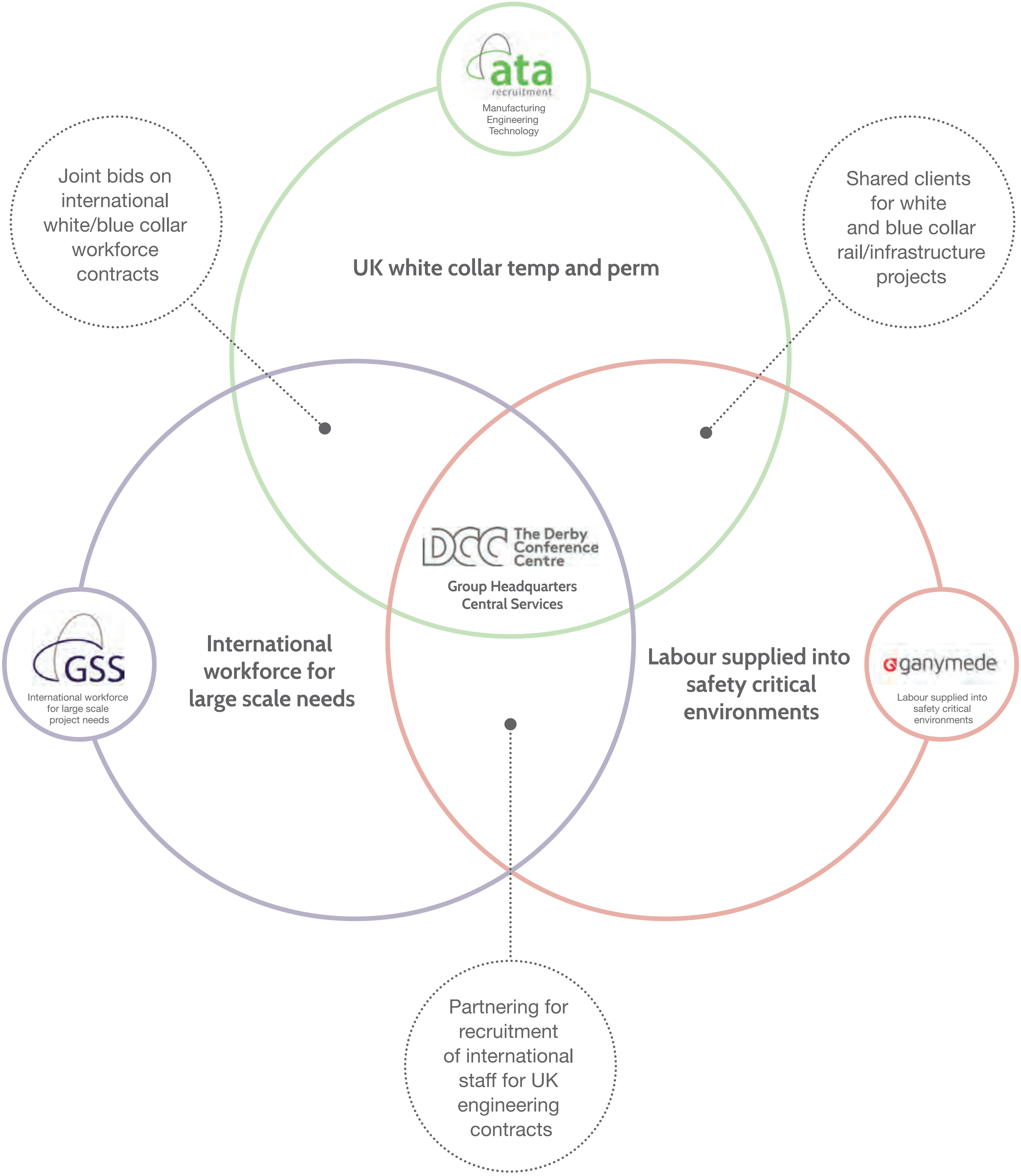
A M Pendlebury

A M Pendlebury
Chief Executive

21 February 2021

Group business model

For the year ended 31 December 2020



Key performance indicators

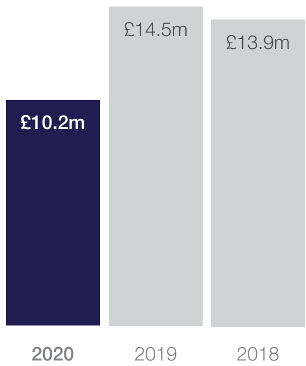
For the year ended 31 December 2020

Revenue (£m)

£81.4m

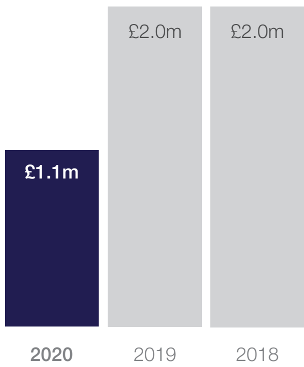
Gross profit (£m)

£10.2m



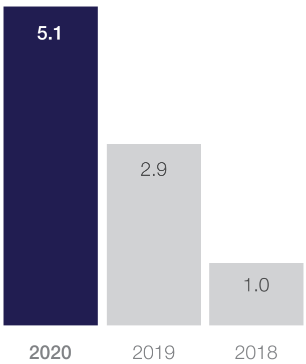
Profit from operations (£m)

£1.1m



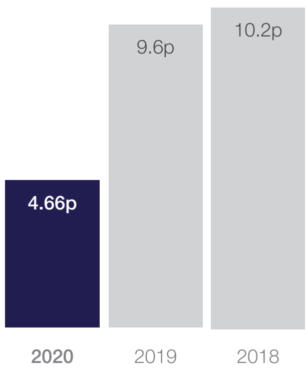
Cash inflow from operating activities (£m)

£5.1m



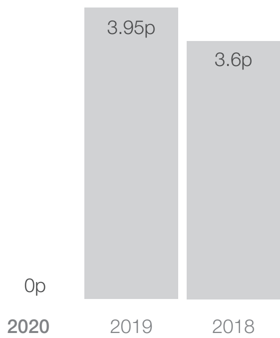
Basic ESP (p)

4.66p



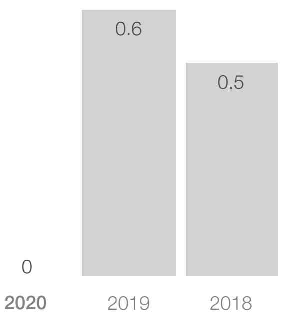
Dividend paid (during year) per share (p)

nil



Total paid out in dividends (£m)

nil

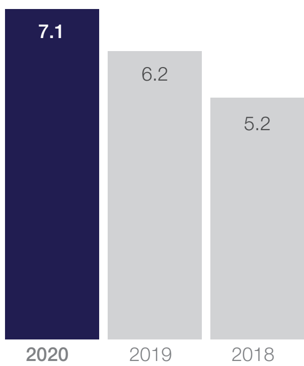


Gearing ratio

0.1

Net assets (£m)

£7.1m



IFRS 16 was adopted in 2019. The impact of adopting IFRS 16 on profit from operations for 2019 was an increase of £72,000, cash inflow from operating activities increased by £246,000 and net assets decreased by £24,000.

Risk management

For the year ended 31 December 2020

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

Impact of the COVID pandemic

The COVID outbreak is a current risk with uncertainty created in the global economy. Our activities internationally are largely unaffected and the majority of RTC's activities are in public and regulated sectors (infrastructure and railway transportation) and provide contract workers vital to the country. The indications are that these activities will continue. However, general UK recruitment and hotel and conferencing activities are impacted and continuing restrictions and a downturn in the economic conditions of the UK, could lead to volatile demand for some of these services. To minimise this risk, we work closely with our customers to understand their future needs. The use of temporary labour allows our customers the flexibility they need to meet their end customers' demands. We believe that flexible labour resourcing becomes more important as a mitigation strategy against uncertainty.

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 Brexit trade deal and the COVID pandemic (see above), we believe that the sectors and customers we have built relationships with have fundamental long-term growth trends. Further, the deliberate positioning of our businesses in rail infrastructure, domestic energy and overseas activities that are not subject to short-term fluctuations in the UK economy enables the Group to capitalise on prevailing market conditions both in the UK and internationally. The Group's cost base is carefully managed to align with business activity. The Group remains focused on cash generation and keeping net debt at prudent levels. This risk is further mitigated by contracts within Ganymede which are not cyclical. The Group also maintains a regular dialogue with its bank to ensure that we have their backing.

Loss of key customers

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

Competition

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

Shortage of skilled candidates

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

Credit risk

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

Attracting and retaining key personnel

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

Compliance risks

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

Legislative risks

Constantly changing employment and tax legislation around intermediary staff presents an area of uncertainty and therefore risk, heightened at this point by the proposed changes to IR35 legislation for the private sector. To mitigate this risk, in conjunction with our clients and professional advisers, we monitor all changes in legislation, for example, we have been working closely with key clients regarding the implementation of the updated IR35 legislation for the private sector that comes into effect in April 2021, and keep our documentation and procedures under review. The Group works closely with its clients, financial and legal advisers, and accredited recruitment bodies to ensure that the business is up to date on these issues.

Reliance on technology

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

Risk management

For the year ended 31 December 2020

Cyber security and general data protection

The Group holds certain data observing strict compliance obligations although a successful cyber-attack could interrupt the business, threaten confidentiality and lead to loss of client and candidate confidence. The Group continues to respond to this threat in several ways including system security measures and reminding our staff to be vigilant. We are currently undertaking a programme of cyber security awareness training whereby staff complete a short video training session each month, followed by the IT department sending out dummy malicious emails to test how effective the training has been. The Group has responsibilities to protect data under the General Data Protection Regulation and continually works to ensure full compliance. The Group has ISO27001 accreditation for both the Ganymede and ATA Recruitment processes.

Climate change

Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. Initiatives designed to minimise the Group's impact on the environment include the reducing our carbon emissions through fleet technology; the use of electric vehicles where possible and a cycle to work scheme.

S L Dye

S L Dye
Secretary

21 February 2021

Finance Director's report

For the year ended 31 December 2020

Financial highlights

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

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

UK Recruitment

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

Total revenue was £64.5m (2019: £76.5m) and gross profit was £8.4m (2019: £11.8m). The gross margin percentage has reduced to 13.1% (2019: 15.5%), although this figure is affected by the accounting treatment of furlough monies received by the Group. Within cost of sales there is £1.6m of cost relating to wages paid for contractors not working for which furlough monies were received. These furlough monies are included in other operating income (refer note 4). The gross margin percentage for 2020 excluding these wages would be 15.6%.

Overall revenue from contract placements was £79.2m (2019: £90.3m). Contract recruitment into Rail and Infrastructure seeing continued demand somewhat impacted by the pandemic but still good. In technical engineering recruitment both permanent and contract placements were significantly impacted by the pandemic with revenues from permanent placements halved at £1.4m (2019: £2.8m). Demand from Energy clients slowed during the initial lockdown but picked up to more usual levels towards the end of the year. Revenues were boosted somewhat by a one-off settlement of £590,000 that was agreed with one customer in respect of a guaranteed volume commitment that was not achieved in the period (refer note 5).

The UK division has utilised the Coronavirus Job Retention Scheme for both its employees and to support its PAYE contractors impacted by the pandemic and put on furlough (see below and note 4).

International

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

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

Central Services

Within Central Services, in accordance with the initial lockdown instructions, the hotel and conference centre were closed from March-July 2020 and tier restrictions were in place from July-December 2020 reducing demand and meaning no events could take place, although some permitted activities have continued. As a result, revenue for 2020 decreased to £0.7m (2019: £1.9m) and, despite taking advantage of financial help offered by the Government through the furlough scheme, taking a rates holiday and the Local Government Business Support Grant, gross profit was significantly reduced at £0.1m (2019: £0.9m). The gross margin percentage has reduced to 20.5% (2019: 45.8%) as a result of the presentation of furlough monies received by the Group. Within cost of sales, there is £0.2m of cost relating to wages paid for staff not working for which furlough monies were received. These furlough monies are included in other operating income (refer note 4). The gross margin percentage for 2020 excluding these wages would be 45.9%. Given the impact on trading in 2020 caused by the COVID pandemic, an impairment review of the Derby Conference Centre was triggered under IAS 36. The Board concluded that no impairment was required (refer notes 2 and 14 for details).

Government financial support relating to the COVID pandemic

The Group has taken advantage of Government support to enable it to retain resources and support its businesses through the pandemic. The Group has received support under the Coronavirus Job Retention Scheme and a Small Local Government Business Support grant which are detailed in note 4. It has also deferred a VAT payment from March 2020 of £1.5m.

Interest cover

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

Taxation

The tax charge for the year was £0.2m (2019: £0.4m). The variance between this and the expected charge if a 19% corporation tax rate was applied to the profit for the year is explained in note 9.

Dividends

Total dividend payments of Nil (2019: £563,152) which equate to Nil per share (2019: 3.95p) were made during the year (refer to note 11). No final dividend for the year ended 31 December 2020 has been proposed (2019: £363,418). This represents a payment of Nil (2019: 2.55p) per share.

Own shares held

The cost of the Group's own shares purchased through the Employee Benefit Trust is shown as a deduction from equity. 40,000 options were exercised during the year and own shares held in the EBT were used to satisfy this demand. The balance of £235,918 (2019: £263,919) on the own shares held reserve within equity reflects 337,027 (2019: 377,027) shares remaining in the EBT that will be used to satisfy future exercises.

Finance Director's report

For the year ended 31 December 2020

Statement of financial position and cash flows

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

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

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

The Group has no term debt and is financed using its invoice discounting and overdraft facilities with HSBC. At 31 December 2020 the Group's had available funds to draw down of £8.8m.

Financing and going concern

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

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

The strategic report was approved by the Board on 21 February 2021 and signed on its behalf by:

S L Dye

S L Dye
Group Finance Director

21 February 2021

Section 172 statement

For the year ended 31 December 2020

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

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

Key decisions

Board and Committee activities are organised throughout the year to address the matters reserved for the Board. An overview of the Board's principal decisions during the year, including how the Board has taken into account the factors set out in Section 172 of the Companies Act 2006 ("the Act"), is set out below.

Decision	Actions	Stakeholder Groups considered
Dealing with the COVID pandemic	Regularly reviewed the challenges presented by the COVID pandemic and Government announcements on social distancing and safety. Engaged in proposals as to how we could continue to operate safely on sites and in the offices (for example by obtaining 'COVID Secure' status for all offices, and travel and accommodation issues for our workers). Regularly reviewed the Group's cash position under a range of revenue and scenarios to ensure sufficient working capital existed to continue operations. Making use of the furlough scheme where possible to protect the jobs of staff and contractors.	The safety of our work force was our primary driver during this period, together with their and the Group's financial security. The Board recognised the conflict of managing the financial security of the Group and the impact of furloughing staff and contractors. Where staff and contractors were affected, the Board ensured clear communication took place. The Board continues to arrange for staff and contractors to return to work as soon as possible as operations recover. The Group engaged with customers and its supply chain to ensure actions were supportive of key stakeholders and putting 'COVID Secure' measures in place for their contractors in conjunction with their customers.
Setting the annual Group budget and sensitivity modelling following the COVID outbreak for going concern and impairment considerations	Reviewed and approved Group budgets for 2021 and high-level profit and cash forecasts for the next 12 months, all of which were updated for the impact of COVID. Approval of the going concern assumption and that no impairment of Group assets was required as result of the ongoing COVID pandemic.	In reviewing the budget and its sensitivities, the Board considered the impact on all stakeholders. Setting the budget identified key areas of focus for the Group, providing development opportunities for employees. The budgeting process also provided reliable information to take decisions such as continuing to use the furlough scheme where necessary. In setting the budget the Board also gave consideration to customers and identified opportunities to develop customer relationships and improve service delivery and efficiency. Consideration was given to suppliers around payments ensuring that there was clarity around when payments would be made to allow suppliers to effectively manage working capital.

Section 172 statement

For the year ended 31 December 2020

Stakeholders and stakeholder communication

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

Employees as stakeholders

The directors are committed to providing a working environment that promotes employee's wellbeing whilst facilitating their performance. The ways in which the directors communicate with and support our employees are set out in the Directors' report under the headings Equality, Diversity and Inclusion, Employee Engagement and Involvement.

Shareholders as stakeholders

The directors provide information for the shareholders through the annual report, the interim report and public announcements made through RNS **https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/GB0002920121GBGBXASX1.html.** Shareholders are invited to contact the Chairman at any time and the directors make themselves available for face to face discussion with shareholders at the AGM.

Customers and other stakeholders

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

Impact on the community and the environment

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

Maintaining a reputation for high standards of business conduct

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

W J C Douie

W J C Douie
Chairman

21 February 2021

Directors' report

For the year ended 31 December 2020

The directors submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2020.

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 £81.4m (2019: £94.9m). The Group recorded a profit from operations for the year of £1.1m (2019: £2.0m).

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

Total dividend payments of Nil (2019: £563,152) which equate to Nil per share (2019: 3.95p) were made during the year (refer to note 11). No final dividend for the year ended 31 December 2020 has been proposed (2019: £363,418). This represents a payment of Nil (2019: 2.55p) per share.

Share capital

Details of share capital are shown in note 20.

Directors

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

W J C Douie

A M Pendlebury

S L Dye

B W May

Significant shareholders

Interests exceeding 3% of the issued ordinary share capital of the Company that had been notified at 1 February 2021 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	1,152,380	7.87%
Chelverton Asset Management	1,000,000	6.83%
A M Pendlebury	696,871	4.76%
G J Chivers	525,809	3.39%
J Kent	454,500	3.10%

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

	2020	2019
W J C Douie	**2,409,113**	2,409,113
A M Pendlebury	**696,871**	696,871
S L Dye	**43,000**	43,000
B W May	**30,000**	30,000

Directors' interests in share options are set out in note 7. W J C Douie retires by rotation and offers himself for re-election.

The market price of the Company's shares on 31 December 2020 was 42.5p and the highest and the lowest share prices during the year were 75.5p and 34p respectively.

Employees' shareholdings

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

Equality diversity and inclusion (EDI)

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

Employment of disabled persons

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

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

Directors' report

For the year ended 31 December 2020

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. Our quarterly newsletter includes messages from senior management, company news and updates from all the business areas. Further, during the pandemic we have increased communication in the form of emails

Periodically we undertake employee engagement surveys and use employee feedback to make improvements to ways of working. During 2020, we used employee engagement surveys to explore the benefits and challenges of increased working from home and help us to develop our Agile (Flexible) Working policy. We plan to continue with periodic employee engagement surveys across the Group to give our employees a voice and to understand how we can continually improve working life.

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

We regularly send out communications to employees about employee benefits and wellbeing initiatives. Mental Health first aid training has been rolled out across the Group and we now have a team of mental health first aiders which gives employees another line of communication to discuss any issues that may be affecting their mental health. Throughout the period impacted by the pandemic we have been diligent in sending out supportive information on all matters impacting mental health and general wellbeing.

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 that respect human rights and 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.**

Anti-bribery and corruption

The Group takes very seriously its responsibility to prevent corruption and bribery. It has an anti-bribery and corruption policy that all employees are required to acknowledge and conduct themselves in accordance with.

Corporate social responsibility

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

We have identified four pillars that are key to our "Socially Responsible" plan. They are:

- community engagement;
- environmental impact;
- equality, diversity and inclusion (EDI); and
- employment as a social issue.

During 2021 we will be:

- launching a "Volunteering Leave" scheme that will enable employees to undertake paid "volunteer" leave that supports our four pillars;
- looking for "employee champions" to become involved in our EDI steering group to help our business meet our EDI objectives – we have recently signed up to the Women in Rail EDI charter. Keeping our recruitment and selection process under review to create and sustain an equal and diverse workforce;
- monitoring and reducing our carbon emissions (see below);
- collaboratively working with charity partners to support employment in hard to reach communities;
- creating partnerships with local colleges/training providers to deliver apprenticeship programmes; supporting local schools with talks on rail safety, STEM subjects and career paths within the infrastructure sector, providing coaching on writing a curriculum vitae and interview techniques; and
- continuing with initiatives to promote the health and wellbeing of our employees, such as our Agile (Flexible) Working ethos.

Carbon emissions

The majority of the Group's carbon emissions (refer table 1) are generated through the combustion of fuel used by the fleet of vans utilised in providing contingent labour to the rail industry. The Group is cognisant of its responsibility to reduce its carbon emissions and is working to do this through fleet technology that provides in-cab driver feedback to influence behaviours and improve fuel consumption, reduce harmful emissions, wear and tear and promote safer driving; the use of electric vehicles where possible and a cycle to work scheme.

Table 1: Carbon emissions and energy usage

		2020 t $C0_2$	2019 t $C0_2$	**2020 MWh**	2019 MWh
Direct emissions					
Combustion of gas and use of fuel for transport	Scope 1	**2,304**	2,129	**9,873**	9,396
Indirect emissions for own use					
Purchase of electricity	Scope 2	**0.1**	0.1	**387**	529

An intensity ratio relating to the combustion of gas and use of fuel for transport has not been included as the vans are only used for certain contracts and do not contribute to total revenues for the UK division.

Directors' report

For the year ended 31 December 2020

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.

Going concern and the COVID pandemic

The COVID outbreak is a current risk with uncertainty created in the global economy. Our activities internationally are largely unaffected and the majority of RTC's activities are in public and regulated sectors (infrastructure and railway transportation) and provide contract workers vital to the country. The indications are that these activities will continue. However, general UK recruitment and hotel and conferencing activities are impacted and continuing restrictions and a downturn in the economic conditions of the UK, could lead to volatile demand for some of these services. To minimise this risk, we work closely with our customers to understand their future needs. The use of temporary labour allows our customers the flexibility they need to meet their end customers' demands. We believe that flexible labour resourcing becomes more important as a mitigation strategy against uncertainty.

The Group has made a pre-tax profit of £870,000 (2019: £1,758,000) from continuing operations and the directors have taken this into account when assessing the going concern basis of preparation.

In order to assess the continued applicability of the going concern basis of preparation, the directors have prepared trading and cash flow forecasts for the Group for a period of at least 12 months from the date of approval of the financial statements. Given the ongoing uncertainty surrounding COVID, the directors have also applied various sensitivities to the trading and cash flow forecasts. These scenarios confirm that the Group will be able to continue to operate and settle its liabilities as they fall due under all reasonably foreseeable scenarios. Should the potential future impacts of COVID be greater than the directors predict, they would look to implement cost management and cash flow initiatives, access any further grants available from government and utilise the funds available under the agreed finance facilities. The Board continues to review and monitor the risks and sensitivities associated with the COVID-19 pandemic and its potential impact on the Group. As part of this monitoring, a reverse stress test has been undertaken which shows that the Group has sufficient cash and facilities available to withstand a 50% reduction against the 2020 revenues without any significant restructuring or other cost reduction measures (refer note 1).

The directors are satisfied that, taking account of the Group's net assets of £7,076,000 (2019: £6,236,000), its invoice finance facility, which is its core funding line and which is classed as evergreen in that it has no fixed expiry date, and the Group's trading and cash forecasts for at least 12 months from the date of approval of the financial statements, that it remains appropriate to prepare these financial statements on a going concern basis.

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.

Financial risk management objectives and policies

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

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

Directors' report

For the year ended 31 December 2020

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 Accounting Standards in conformity with the requirements of the Companies Act 2006, 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 (AIM).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group accounts have been prepared in accordance International Accounting Standards in conformity with the requirements of the Companies Act 2006, and the Parent Company accounts have been prepared under UK GAAP, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

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

By order of the Board

S L Dye

S L Dye
Secretary

21 February 2021

Corporate governance statement

For the year ended 31 December 2020

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 principles within the Code.

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

The Board

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

The Board met 11 times in 2020 and each Board member attended the following number of Board meetings: W J C Douie [11], A M Pendlebury [11], S L Dye [11] and B W May [10]. The Executive Chairman spends an average of 7 days per month occupied with Company matters and is available as required. The Chief Executive and the Group Finance Director are engaged full-time and the senior independent non-executive Director is required to spend two days per month considering Company matters and attending the monthly Board meeting.

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

W J C Douie, Chairman

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

A M Pendlebury, Chief Executive

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

S L Dye, Group Finance Director

Sarah is a Chartered Accountant who has worked in both the public and private sectors in the UK and overseas. Sarah qualified with BDO LLP before moving to The Post Office Plc and then The Boots Company Plc gaining experience in risk management, internal audit and commercial finance. In 1998, Sarah joined Allied Domecq Plc as Finance and Planning Manager for Europe. In 2004 Sarah joined Nottingham Trent University where she held several senior finance positions. Sarah spent 5 years in New Zealand with the Office of the Auditor-General, working with central and local government entities and the tertiary sector. In 2011 Sarah joined Staffline Group Plc as Group Financial Controller. Sarah was appointed Group Finance Director of RTC Group in February 2013.

B W May, Senior Independent Non-Executive Director

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

Board matters

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

Corporate governance statement

For the year ended 31 December 2020

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 behaviour and ethics are in place and signed up to by all employees. Performance is appraised considering not just the achievement of objectives, but the behaviours demonstrated to do so. All managers and the Board lead by example in their behaviour 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 dividend policy. This measure is externally reported twice yearly on the publication of the interim statement and the annual report. The Executive Director's performance is also measured in relation to the achievement of specific operational and strategic objectives that support the key performance indicators including EPS which are presented in the annual report and the level of profit delivered. A significant proportion of Executive Director awards are in the form of profit related pay and performance related options.

Succession planning

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

Company secretary

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

Board Committees

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

The remuneration committee is responsible for determining the contract terms, remuneration and other benefits for executive directors, including performance-related bonus schemes. The committee comprises W J C Douie and B W May. It is chaired by W J C Douie and meets as required but a minimum of once a year. Both committee members attended the meetings held in 2020. No members of the remuneration committee are involved in determining their own remuneration. There are plans to evolve the Company's governance structure so that the remuneration committee has an independent chair.

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

Engagement with shareholders

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

Type of shareholder	% of total issued share capital
Directors	21.7%
Employee Benefit Trust	2.3%
Institutional Investors	6.8%
Brokers, individuals and other	69.2%

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.

W J C Douie

W J C Douie
Chairman

21 February 2021

Audit committee report

For the year ended 31 December 2020

Audit committee responsibilities

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

Audit committee membership

The audit committee comprises W J C Douie and B W May. It is chaired by W J C Douie and meets twice a year. Both committee members attended each meeting in 2020.

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

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

Risk and internal control

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

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

The Group's internal control systems are not predicated on physical controls and as such they have not been impacted by increased remote working as a result of the pandemic.

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

- **Management structure**
  The Board has overall responsibility for the Group and there is a schedule of matters specifically reserved for decision by the Board.

- **Quality and integrity of personnel**
  The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are an essential part of the control environment.

- **Identification of business risks**
  The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate courses of action to manage those risks. The boards of our Group businesses also actively identify risks and ensure mitigating controls are in place.

- **Budgetary process**
  Each year the Board approves the annual budget. Key risk areas are identified, performance is monitored, and relevant action taken throughout the year through the monthly reporting to the Board of variances from the budget and preparation of updated forecasts for the year together with information on the key risk areas.

- **Authorisation procedures**
  Capital and revenue expenditure is regulated by a budgetary process and authority limits for approval of expenditure are in place. For expenditure beyond specified levels, detailed written proposals are submitted to and approved by the Board. Once authorised, such expenditure is reviewed and monitored by the Board.

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

External audit

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

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

To safeguard the objectivity and independence of the external auditor, the audit committee monitors the external auditor's proposed scope of work and the value of fees paid. In the year to 31 December 2020, audit fees for the Group totalled £66,984 (2019: £65,000), with additional non-audit fees of £12,317 (2019: £18,233). The audit committee can confirm that they are satisfied that BDO continues to be independent.

This report was approved by the Audit Committee and the Board on 21 February 2021 and signed on its behalf by:

W J C Douie

W J C Douie
Chairman

21 February 2021

Remuneration report

For the year ended 31 December 2020

Policy on executive directors' remuneration

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

Executive directors' remuneration

The remuneration package for executive directors comprises:

- basic salary;
- 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

The Company made no contribution to director's pensions.

Other benefits

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

Performance related bonuses

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

Share based incentives

Share options

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

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

RTC Group long-term incentive plan (LTIP)

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

Awards under the LTIP

In 2020, no awards under the LTIP were made to executive directors.

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

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. Further details are set out in note 7.

Service contracts

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

Non-executive directors' remuneration and terms of service

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

This report was approved by the Remuneration Committee and the Board on 21 February 2021 and signed on its behalf by:

W J C Douie

W J C Douie
Chairman

21 February 2021

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

For the year ended 31 December 2020

Opinion on the financial statements

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements of RTC Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and 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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We critically assessed management's trading and cash flow budgets and forecasts, which cover the period to 28 February 2022. This included challenging the key estimates and judgements and the evidence underpinning them. In doing so, we specifically considered the principal trading and cash flow assumptions, and challenged management on key aspects, including revenue forecasts, margins, changes in the cost base and the levels of capital expenditure required to support the forecast levels of activity. Our work included assessing the key assumptions by reference to past performance, considering the potential impact of the COVID pandemic and available market information about local and macro-economic trends;
- We also reviewed the alternative scenarios modelled by management to assess potential sensitivities to check that they were reasonable and appropriate and took into consideration all reasonably foreseeable events and circumstances;
- We assessed the budgets and forecast, and sensitivities undertaken, against the level of available cash and facilities;
- We considered the results of the reverse stress test undertaken by management and whether the deterioration in performance represented a plausible outcome; and
- We also reviewed the disclosures in the financial statements to ensure they fairly reflect the Board's assessment and the relevant uncertainties inherent in forecasting future events.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

For the year ended 31 December 2020

Overview

Coverage	99% (2019: 100%) of Group profit before tax 99% (2019: 100%) of Group revenue 95% (2019: 100%) of Group total assets		
Key audit matters		**2020**	2019
	Revenue and profit recognition – temporary placements	✓	✓
	Carrying value of goodwill, other intangible assets, property, plant and equipment and right of use assets	✓	–
Materiality	£75,000 (2019:£90,000) based on 5% of average profit before tax for the last three years (2019: 5% of the profit before tax for the year).		

An overview of the scope of our audit

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

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

The Group engagement team carried out full scope audits for two of the trading companies in the UK which were considered to be the significant components of the Group. The audit procedures for the overseas subsidiary were limited to analytical review and discussions with Group management. For the non-significant UK trading subsidiary, audit procedures were limited to analytical review and discussions with Group management, together with substantive testing in respect of right of use assets and leases, journals and significant estimates in line with our Group approach to the risk of management override.

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

For the year ended 31 December 2020

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue and profit recognition – temporary placements	The Group generates revenue from the provision of recruitment activities, which consists of revenue from temporary and permanent placements. The accounting policy is described in note 3.1 on page 36, with further analysis of the Group's revenue included in note 5 on page 43. For temporary placements, revenue is recognised over time as the service is provided and requires judgement in estimating the time worked by contractors but not approved by customers at the statement of financial position date. This also involves judgement in estimating the costs accruing for these contractors which then determines the corresponding revenue which should be recognised. In view of the judgements involved and the significance of these matters to the determination of the existence and accuracy of Group revenue, we consider this to be an area giving rise to a significant risk of material misstatement in the financial statements.	We critically assessed the appropriateness of the revenue and cost recognition policies and considered whether they are in accordance with relevant Accounting Standards. We performed substantive audit procedures that included inspecting a sample of timesheets, customer approvals and contractor costs relating to the year to confirm the costs and associated revenue had been recognised in the correct period. Each item selected for testing was agreed to the corresponding sales and purchase invoices, including ensuring they had been recorded accurately in the nominal ledger. We also performed testing, on a sample basis, on the timesheets and customer approvals received subsequent to the year end, comparing these to the amounts accrued in order to identify any material errors or omissions in the accrued costs and associated revenue recorded. Each item selected for testing was agreed to the corresponding sales invoice, cost accrual and timesheet (where relevant), ensuring the amounts were correctly included within sales and accrued costs at the year end. We tested the subsequent collection of trade receivables and the amounts invoiced in respect of contract assets at 31 December 2020, on a sample basis, to identify any matters which might be indicative of issues with the existence of revenue. We also agreed a sample of manual journals posted to revenue to supporting documentation to check they were appropriately recorded.
Key observations We have not identified any matters to suggest that temporary placement revenue has not been recognised appropriately in accordance with the requirements of applicable accounting standards.		

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

For the year ended 31 December 2020

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Carrying value of goodwill, other intangible assets, property, plant and equipment or the right of use assets in the Group</td><td>The Group's impairment accounting policy is described in note 3.7 on page 38 with critical estimates and judgements detailed in note 2 on page 35.

The market capitalisation of the Group at 31 December 2020 was lower than the net assets which is an indicator that impairments might exist.

In addition, the unprecedented impacts of the COVID-19 pandemic on the hospitality sector represents a potential impairment trigger in respect of the carrying value of The Derby Conference Centre cash generating unit (DCC).

The nature of an impairment review includes significant judgement by management and a high degree of estimation uncertainty.

We consider the most significant judgements to be in relation to the achievement of the forecast future trading and cash flows used to determine the value in use supporting the carrying value of the assets of the Group and the DCC.</td><td>We have reviewed and challenged the judgements made by management in undertaking the impairment tests, which comprised an assessment of the value in use in respect of both the Group and the DCC cash generating units ("CGU's").

These included:
• review of the integrity of the value in use model and appropriateness of discount rate used, in conjunction our valuation specialists;
• challenging the achievability of the forecasts. This included assessing the appropriateness of the key assumptions, having regard to past performance and based on facts and circumstances at the balance sheet date;
• considering and challenging the appropriateness of the sensitivities applied. This included reviewing past performance, the potential impact of the COVID pandemic and publicly available market information about future trends, particularly within the leisure and hospitality sector, within which the DCC operates;
• we also reviewed the stress testing undertaken by management to assess the level of underperformance against the forecasts required to eliminate the headroom and which would give rise to impairments; and
• we reviewed the disclosures in the financial statements to ensure they were complete.</td></tr>
<tr><td colspan="3">Key observations
We have not identified any matters which indicate that the assumptions and estimates made by management are not plausible in support of their conclusion that no impairment arises.</td></tr>
</table>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, 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.

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

For the year ended 31 December 2020

We determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020	2019	**2020**	2019
	£	£	**£**	£
Materiality	**75,000**	90,000	**71,000**	86,000
Performance materiality	**56,000**	67,500	**53,000**	64,500

Materiality

We determined materiality for the Group based on 5% of the three-year average of profit before tax (2019: 5% of profit before tax). Profit before tax is considered an appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance. Given the current economic environment and the short term reduction in profitability, we concluded that whilst the benchmark for materiality of profit before tax remains the most appropriate, materiality for the current year should be based on an average profit before tax over the last three years.

Materiality for the Parent Company was set using a benchmark of 2% of total assets (2019: 2% of total assets), capped by reference to group materiality. Total assets is considered an appropriate benchmark as the main purpose of the Parent Company is to hold the investments in subsidiaries.

Performance materiality

Performance materiality was set at 75% (2019: 75%) of Group and Parent Company materiality. There is no history of errors or control weaknesses, the Group's operations have not changed significantly from the prior year and there are no particular risks identified as having an impact on materiality that would require a lower performance materiality to be used. These levels have been applied in determining the testing approach and sample sizes.

Component materiality

We set materiality for each significant component of the Group based on a percentage of Group materiality, dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £27,000 to £71,000. In the audit of each component, we further applied performance materiality levels of 75% (2019: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,000 (2019: £4,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 2020

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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 by the Parent Company, 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, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

In identifying and assessing the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

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

For the year ended 31 December 2020

- we obtained an understanding of the legal and regulatory frameworks applicable to the group based on our understanding of the Group and sector experience and discussions with management. The most significant considerations for the Group are the Companies Act 2006, corporate taxes and VAT legislation, employment taxes, health and safety and the Bribery Act 2010
- discussing among the engagement team, who also undertook the audit testing on significant component audit teams to assess how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
  - management override of control; and
  - revenue recognition – specifically the estimates associated with cut off on temporary placement revenue and manipulation of revenue through fraudulent journals.

We designed and executed procedures in line with our responsibilities to detect material misstatements in respect of irregularities, including fraud. These procedures, together with the extent to which they are capable of detecting irregularities, including fraud, are detailed below:

- we made enquiries of management and reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries through our review of board minutes.
- we tested the appropriateness of accounting journals, including those relating to the consolidation process and other adjustments made in the preparation of the financial statements. We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and substantively test any which we considered were indicative of management override.
- we reviewed the Group's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- we critically assessed the appropriateness and tested the application of the revenue and cost recognition policies.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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, United Kingdom

21 February 2021

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 2020

	Notes	2020 £'000	2019 £'000
Revenue	3.1,4,5	**81,356**	94,949
Cost of sales		**(71,117)**	(80,475)
Gross profit		**10,239**	14,474
Other operating income	3.1a	**2,477**	–
Administrative expenses		**(11,663)**	(12,513)
Profit from operations	6	**1,053**	1,961
Finance expense	8	**(183)**	(203)
Profit before tax		**870**	1,758
Tax expense	9	**(204)**	(390)
Total profit and other comprehensive income for the period attributable to owners of the Parent		**666**	1,368
Earnings per ordinary share			
Basic	10	**4.66p**	9.60p
Fully diluted	10	**4.13p**	8.59p

The following notes 1 to 25 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	**146**	**120**	**(264)**	**50**	**557**	**5,627**	**6,236**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**666**	**666**
Transactions with owners:							
Share options exercised	**–**	**–**	**28**	**–**	**(4)**	**(15)**	**9**
Share based payment charge	**–**	**–**	**–**	**–**	**165**	**–**	**165**
Total transactions with owners	**–**	**–**	**28**	**–**	**161**	**(15)**	**174**
At 31 December 2020	**146**	**120**	**(236)**	**50**	**718**	**6,278**	**7,076**

The consolidated statement of changes in equity for the prior period was as follows:

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	146	120	(292)	50	379	4,833	5,236
Total comprehensive income for the year	–	–	–	–	–	1,368	1,368
Transactions with owners:							
Dividends (note 11)	–	–	–	–	–	(563)	(563)
Share options exercised	–	–	28	–	(15)	(11)	2
Share based payment charge	–	–	–	–	193	–	193
Total transactions with owners	–	–	28	–	178	(574)	(368)
At 31 December 2019	146	120	(264)	50	557	5,627	6,236

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

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

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

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

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

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

The following notes 1 to 25 form an integral part of these financial statements.

Consolidated statement of financial position

For the year ended 31 December 2020

	Note	**2020 £'000**	2019 £'000
Assets			
Non-current			
Goodwill	12	**132**	132
Other intangible assets	13	**149**	234
Property, plant and equipment	14	**1,648**	1,680
Right of use assets	23	**2,993**	3,044
Deferred tax asset	15	**149**	95
		5,071	5,185
Current			
Inventories	16	**7**	10
Trade and other receivables	17	**13,404**	15,809
Cash and cash equivalents		**2,827**	798
		16,238	16,617
Total assets		**21,309**	21,802
Liabilities			
Current			
Trade and other payables	18	**(9,706)**	(8,493)
Lease liabilities	23	**(276)**	(282)
Corporation tax		**(218)**	(296)
Current borrowings	18	**(967)**	(3,570)
		(11,167)	(12,641)
Non-current liabilities			
Lease liabilities	23	**(2,944)**	(2,855)
Deferred tax liabilities	19	**(122)**	(70)
Net assets		**7,076**	6,236
Equity			
Share capital	20	**146**	146
Share premium		**120**	120
Own shares held		**(236)**	(264)
Capital redemption reserve		**50**	50
Share based payment reserve		**718**	557
Retained earnings		**6,278**	5,627
Total equity		**7,076**	6,236

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 21 February 2021 by:

A M Pendlebury

A M Pendlebury
Director

S L Dye

S L Dye
Director

The following notes 1 to 25 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit before tax		**870**	1,758
Adjustments for:			
Depreciation, loss on disposal and amortisation		**763**	693
Finance expense	8	**183**	203
Employee equity settled share options charge		**165**	194
Change in inventories		**3**	(2)
Change in trade and other receivables		**2,405**	(18)
Change in trade and other payables		**1,213**	629
Cash inflow from operations		**5,602**	3,457
Income tax paid		**(284)**	(378)
Interest paid		**(183)**	(203)
Net cash inflow from operating activities		**5,135**	2,876
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		**(293)**	(314)
Proceeds from asset disposals		**–**	20
Net cash outflow from investing activities		**(293)**	(294)
Cash flows from financing activities			
Movement on invoice discounting facility		**(2,818)**	(1,821)
Movement on perpetual bank overdrafts		**215**	(75)
Dividends paid		**–**	(563)
Payment of lease liabilities		**(219)**	(246)
Proceeds from exercise of share options		**9**	2
Net cash outflow from financing activities		**(2,813)**	(2,703)
Net increase/(decrease) in cash and cash equivalents	21	**2,029**	(121)
Cash and cash equivalents at beginning of period		**798**	919
Cash and cash equivalents at end of period	21	**2,827**	798

The following notes 1 to 25 form an integral part of these financial statements.

Notes to the Group financial statements

For the year ended 31 December 2020

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 statemets 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 Accounting Standards in conformity with the requirements of the Companies Act 2006"and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

Going concern and the COVID pandemic

The COVID outbreak is a current risk with uncertainty created in the global economy. Our activities internationally are largely unaffected and the majority of RTC's activities are in public and regulated sectors (infrastructure and railway transportation) and provide contract workers vital to the country. The indications are that these activities will continue. However, general UK recruitment and hotel and conferencing activities are impacted and continuing restrictions and a downturn in the economic conditions of the UK, could lead to volatile demand for some of these services. To minimise this risk, we work closely with our customers to understand their future needs. The use of temporary labour allows our customers the flexibility they need to meet their end customers' demands. We believe that flexible labour resourcing becomes more important as a mitigation strategy against uncertainty.

The Group has made a pre-tax profit of £870,000 (2019: £1,758,000) from continuing operations and the directors have taken this into account when assessing the going concern basis of preparation.

In order to assess the continued applicability of the going concern basis of preparation, the directors have prepared trading and cash flow forecasts for the Group for a period of at least 12 months from the date of approval of the financial statements. Given the ongoing uncertainty surrounding COVID, the directors have also applied various sensitivities to the trading and cash flow forecasts. These scenarios confirm that the Group will be able to continue to operate and settle its liabilities as they fall due under all reasonably foreseeable scenarios. Should the potential future impacts of COVID be greater than the directors predict, they would look to implement cost management and cash flow initiatives, access any further grants available from government and utilise the funds available under the agreed finance facilities. The Board continues to review and monitor the risks and sensitivities associated with the COVID-19 pandemic and its potential impact on the Group. As part of this monitoring, a reverse stress test has been undertaken which shows that the Group has sufficient cash and facilities available to withstand a 50% reduction against the 2020 revenues without any significant restructuring or other cost reduction measures.

The directors are satisfied that, taking account of the Group's net assets of £7,076,000 (2019: £6,236,000), its invoice finance facility, which is its core funding line and which is classed as evergreen in that it has no fixed expiry date, and the Group's trading and cash forecasts for at least 12 months from the date of approval of the financial statements, that it remains appropriate to prepare these financial statements on a going concern basis.

New accounting standards and interpretations

The Group has not adopted any new standards or interpretations in these financial statements. The Board does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group. After Brexit, the UK will continue to apply International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Notes to the Group financial statements

For the year ended 31 December 2020

2. Critical accounting estimates and judgements

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

Estimates and assumptions

Equity settled share-based payment liabilities

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

Temporary placements

Revenue from temporary placements is calculated by reference to hours worked and pay rates and is based on weekly timesheets submitted by operatives and there can be delays in the submission and approval of timesheets. An estimate is therefore made of the value of the liabilities in respect of timesheets that are yet to complete the submission and approval process and the associated revenue earned at 31 December 2020. Further details of the related contract assets are included in note 5.

Estimates and judgements

Lease liability and right of use assets

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

The Group sometimes negotiates break clauses in its property leases. At 31 December 2020 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it is considered reasonably certain that the Group will not exercise its right to break any lease and there are no material break clauses.

Impairment of non-current assets

The carrying values of these assets are tested for impairment when there is an indication that the value of the assets might be impaired, either at an individual cash generating unit level (“CGU”) or, where assets cannot be allocated to individual CGU’s, for the Group as a whole.

When carrying out impairment tests, these are based upon risk adjusted future cashflow forecasts and these forecasts include management estimates for revenues which are informed by external market forecasts and experience. Direct costs to deliver and attributable overhead will also include management estimates based on recent experience and expected adjustments for management actions. In calculating the discount rate to be applied, management estimates are required in assessing the appropriate rate for the Group.

The assessment of the discount rate and forecasting future cash flows are inherently judgemental and future events could have an adverse effect on these and results of future impairment assessments. Further details of the assumptions and conclusions relating to the impairment reviews undertaken this year are included in notes 12 and 14.

Notes to the Group financial statements

For the year ended 31 December 2020

3. Accounting policies

The principal accounting policies, which are identical to the policies applied in the previous year, are listed below:

3.1 Revenue

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

Performance obligations and timing of revenue recognition

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

The Group has several 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.

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

Revenue from permanent placements

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

Revenue from temporary placements

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

Other revenue

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

3.1a Other operating income

Other operating income represents Government Grants in respect of the Coronavirus Job Retention Scheme (CJRS) and grant income and the Local Government Business Support Grant. The CJRS payments are made for the employment of staff and are recognised in the month they are received. Amounts paid to staff are recognised as staff wages as usual but the receipt from the Government is recognised as other operating income when the Group is entitled to the cash i.e. the wage expense and receipt from the Government are 'grossed up' and not 'netted off'. The Local Government Business Support Grant was received and recognised in the period.

Notes to the Group financial statements

For the year ended 31 December 2020

3.2 Basis of consolidation

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

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

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

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

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

3.3 Goodwill

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

3.4 Own shares held

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

3.5 Intangible assets

Assets acquired as part of a business combination

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

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

Customer lists

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

Software

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

Notes to the Group financial statements

For the year ended 31 December 2020

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 to write off the cost, less residual value, of each asset over its estimated useful life as follows:

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

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

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

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

3.7 Impairment of assets

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

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

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

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

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

3.8 Inventories

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

3.9 Leases

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

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

Notes to the Group financial statements

For the year ended 31 December 2020

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

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

3.10 Income taxes

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

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

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

3.11 Deferred tax

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

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

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

3.12 Retirement benefit

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

3.13 Share-based payments

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

Notes to the Group financial statements

For the year ended 31 December 2020

3.14 Trade payables

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

3.15 Trade receivables

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

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

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

3.16 Cash and cash equivalents

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

3.17 Borrowings

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

Financial liabilities

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

3.18 Foreign currencies

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

3.19 Share capital and dividends

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

Notes to the Group financial statements

For the year ended 31 December 2020

4. Segment reporting

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

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

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

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

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

Revenue, gross profit and operating profit delivery by geography:

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

* Other operating income represents Government Grants in respect of the Coronavirus Job Retention Scheme and a Local Government Business Support Grant (none of which are required to be paid back).

Notes to the Group financial statements

For the year ended 31 December 2020

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

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

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

The revenue reported above is generated from continuing operations with external customers. There were no sales between segments in the year (2019: Nil). For segment reporting purposes in this note 4, revenue is analysed by the geographical location in which the services are delivered. Revenue is further analysed by point of invoicing in note 5.

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

During 2021, one customer in the UK segment contributed 10% or more of total revenue being £27.3m (2019: £31.3m) and one customer in the International segment also contributed 10% or more of total revenue being £15.7m (2019: £16.5m).

Recruitment revenues are generated from permanent and temporary recruitment and long-term contracts for labour supply. Within Central Services revenues are generated from the rental of excess space and facilities at the Derby site, described as Other below.

Revenue and gross profit by service classification for management purposes:

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

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

Notes to the Group financial statements

For the year ended 31 December 2020

5. Revenue from contracts with customers

Disaggregation of revenue

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

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

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

	2020				2019			
	UK Recruitment £'000	**UK Central Services £'000**	**International recruitment £'000**	**Total £'000**	UK Recruitment £'000	UK Central Services £'000	International Recruitment £'000	Total £'000
Geographic point of invoicing:								
UK	**64,521**	**713**	**16,122**	**81,356**	76,526	1,864	16,503	94,893
USA	**–**	**–**	**–**	**–**	–	–	56	56
	64,521	**713**	**16,122**	**81,356**	76,526	1,864	16,559	94,949
Revenue by product type:								
Permanent placements	**1,431**	**–**	**4**	**1,435**	2,754	–	65	2,819
Temporary placements	**63,090**	**–**	**16,118**	**79,208**	73,772	–	16,494	90,266
Other	**–**	**713**	**–**	**713**	–	1,864	–	1,864
	64,521	**713**	**16,122**	**81,356**	76,526	1,864	16,559	94,949
Contract counterparties B2B	**64,521**	**713**	**16,122**	**81,356**	76,526	1,864	16,559	94,949
Timing of transfer of services:								
Point in time (start date for permanent placements)	**1,431**	**–**	**4**	**1,435**	2,754	–	65	2,819
Over time (with invoices raised periodically over the term of the contract placement)	**63,090**	**–**	**16,118**	**79,208**	73,772	–	16,494	90,266
Point in time (having provided the service for other revenue streams)	**–**	**713**	**–**	**713**	–	1,864	–	1,864
	64,521	**713**	**16,122**	**81,356**	76,526	1,864	16,559	94,949

Notes to the Group financial statements

For the year ended 31 December 2020

Contract balances

	Contract assets 2020 £'000	Contract assets 2019 £'000	**Contract liabilities 2020 £'000**	Contract liabilities 2019 £'000
At 1 January	**2,175**	1,706	**(80)**	(40)
Transfers in the period from contract assets to trade receivables	**(2,175)**	(1,706)	**–**	–
Excess of revenue recognised over amounts invoiced (or rights to cash) being recognised during the period	**2,226**	2,175	**–**	–
Movement in amounts included in contract liabilities that were invoiced but not recognised as revenue during the period	**–**	–	**(9)**	(40)
At 31 December	**2,226**	2,175	**(89)**	(80)

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

Remaining performance obligations

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.

The Group had one contract whereby the customer had guaranteed to pay for a minimum number of shifts over the initial period of the contract which ended on 31 December 2020. The minimum number of shifts was not reached through actual services provided during the initial period but a settlement figure of £590,000 was agreed in respect of this commitment and that has been included in revenue.

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 from operations

	2020 £'000	2019 £'000
Profit from operations for the year is stated after charging:		
Loss on asset disposals	**3**	2
Depreciation of owned property, plant and equipment	**322**	267
Amortisation of intangibles	**85**	85
Depreciation of right of use assets	**353**	339
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**31**	26
Fees payable to the Company's auditor for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**36**	39
– tax compliance	**6**	8
– other non-audit services	**7**	10
Expenses relating to short-term leases	**230**	317

Notes to the Group financial statements

For the year ended 31 December 2020

7. Directors and employees' remuneration

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

	2020 £'000	2019 £'000
Wages and salaries	7,140	8,043
Social security costs	740	846
Other pension costs	425	403
	8,305	9,292

As at 31 December 2020 there were pension contributions of £71,516 (2019: £170,219) outstanding.

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

	2020 Number	2019 Number
Sales and administration staff	**144**	163
Conference support staff	**44**	57
	188	220

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**	**30**	**6**	**101**	**–**	**101**
A M Pendlebury	**280**	**214**	**14**	**508**	**–**	**508**
S L Dye	**194**	**74**	**20**	**288**	**–**	**288**
B W May	**33**	**–**	**–**	**33**	**–**	**33**
Total	**572**	**318**	**40**	**930**	**–**	**930**

Employers NI of £128,340 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	65	51	6	122	–	122
A M Pendlebury*	260	320	13	593	–	593
S L Dye	178	127	15	320	6	326
B W May	30	–	–	30	–	30
Total	533	498	34	1,065	6	1,071

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

Notes to the Group financial statements

For the year ended 31 December 2020

Share based employee remuneration

Total share-based payment charges in the year were £165,000 (2019: £194,000) of which £143,586 (2019: £181,881) was charged in respect of options granted to directors.

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

	Number	**Weighted average exercise price (pence) 2020**	Number	Weighted average exercise price (pence) 2019
Outstanding at start of period	**2,136,605**	**5**	2,176,605	5
Granted	**–**	**–**	–	–
Lapsed	**–**	**–**	–	–
Exercised	**40,000**	**22**	40,000	4
Outstanding at end of period	**2,096,605**	**5**	2,136,605	5

The company operates two share option plans: the EMI 2001 Share Option Scheme and the Long-Term Incentive Plan 2015 ("LTIP"). 40,000 options were exercised during the year and own shares held in the EBT were used to satisfy this demand (2019: 40,000). No options were issued during the year (2019: Nil).

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

Date exercisable (from and to)	**Number**	**Weighted average exercise price (pence 2020**	**Weighted average fair value at date of grant (pence 2020**	**Weighted average contractual life (months 2020**	Number	Weighted average exercise price (pence) 2019	Weighted average fair value at date of grant (pence) 2019	Weighted average contractual life (months) 2019
2017 to 2024	**220,000**	**29**	**6**	**39**	255,000	29	6	51
2018 to 2025	**281,412**	**–**	**53**	**53**	281,412	–	53	65
2019 to 2026	**402,500**	**–**	**60**	**63**	407,500	–	60	75
2020 to 2027	**284,286**	**–**	**44**	**76**	284,286	–	44	88
2021 to 2028	**908,407**	**3**	**44**	**87**	908,407	3	44	99

The exercise prices of options range from nil to 25.5p, 38.0p and 52.5p. At the end of the period 1,188,198 options were exercisable (2019: 943,912).

Notes to the Group financial statements

For the year ended 31 December 2020

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

	At 1 January 2020	Granted	Exercised	**At 31 December 2020**	Date of last grant	Exercise price
EMI Options						
S L Dye	110,000	–	–	**110,000**	22 May 2015	Nil
LTIP Options						
W J C Douie	193,615	–	–	**193,615**	23 Mar 2018	Nil
A M Pendlebury	933,749	–	–	**933,749**	23 Mar 2018	Nil
S L Dye	569,259	–	–	**569,259**	23 Mar 2018	Nil

The market value and number of directors' share options vesting in the period was £123,000 (234,286 shares) (2019: £241,500 (402,500 shares)). The aggregate gains made by directors on exercising share options was £Nil (2019: £Nil).

The market value and number of the highest paid directors' share options vesting in the period was £63,000 (120,000 shares) (2019: £135,000 (225,000 shares)). The aggregate gains made by the highest paid director on exercising share options was £Nil (2019: £Nil).

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

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

Awards under EMI 2001 Share Option Scheme

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

Awards under the LTIP

There were no awards under the LTIP in 2020. 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%

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.

Notes to the Group financial statements

For the year ended 31 December 2020

8. Finance expense

	2020 £'000	2019 £'000
Interest charge on invoice discounting arrangements and overdrafts	**53**	101
Interest expense on lease liabilities	**130**	102
	183	203

9. Tax expense

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

Factors affecting the tax expense

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

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

Factors that may affect future tax charges

The Finance Act 2016 reduced the corporation tax rate to 17% with effect from 1 April 2020 and so this rate was used in the December 2019 deferred tax calculations. In the Budget of 11 March 2020, the Chancellor of the Exchequer announced that the planned rate reduction to 17% would no longer be taking effect. The changes announced during the Budget of 11 March 2020 were substantively enacted as at the 2020 balance sheet date, therefore, all opening deferred taxation balances have been remeasured at 19% with an adjustment recognised in the 2020 total tax charge.

Notes to the Group financial statements

For the year ended 31 December 2020

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

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

11. Dividends

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

A final dividend of £Nil (2019: £363,418) has been proposed but has not been accrued within these financial statements. This represents a payment of 0p (2019: 2.55p) per share.

12. Goodwill

Gross carrying amount	**2020 £'000**	2019 £'000
At 1 January	**132**	132
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 pre-tax discount rate of 10.6%. This has confirmed that no impairments are required.

Notes to the Group financial statements

For the year ended 31 December 2020

13. Other intangible assets

The Group's other intangible assets comprise:

- the customer lists obtained through the acquisition of RIG Energy Limited in 2014; and
- software and licences relating to 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 2020	673	323	**996**
At 31 December 2020	673	323	**996**
Amortisation			
At 1 January 2020	564	198	**762**
Provided in year	27	58	**85**
At 31 December 2020	591	256	**847**
Net book amount at 31 December 2020	82	67	**149**
Net book amount at 31 December 2019	109	125	234

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 2019	673	310	983
Additions	–	13	13
At 31 December 2019	673	323	996
Amortisation			
At 1 January 2019	537	140	677
Provided in year	27	58	85
At 31 December 2019	564	198	762
Net book amount at 31 December 2019	109	125	234
Net book amount at 31 December 2018	136	170	306

Notes to the Group financial statements

For the year ended 31 December 2020

14. Property, plant and equipment

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

	Short leasehold improvements £'000	Fixtures and office equipment £'000	Motor vehicles £'000	Capital work-in-progress £'000	**Total £'000**
Cost					
At 1 January 2020	1,564	1,894	8	61	**3,527**
Additions	–	293	–	–	**293**
Disposals	–	(30)	–	–	**(30)**
At 31 December 2020	1,564	2,157	8	61	**3,790**
Depreciation					
At 1 January 2020	693	1,148	6	–	**1,847**
Charge for the year	122	198	2	–	**322**
Disposals	–	(27)	–	–	**(27)**
At 31 December 2020	815	1,319	8	–	**2,142**
Net book amount:					
At 31 December 2020	749	838	–	61	**1,648**
At 31 December 2019	871	746	2	61	1,680

The Board have considered the cash generating unit that is most sensitive to a potential impairment, being the Derby Conference Centre (which sits within Central Services). The Board, in conjunction with the management of the DCC, have prepared and approved a five-year plan which shows that, by 2025, revenue levels are expected to increase by 124% and profit levels by 184% over the 2019 pre-COVID results as many of the cost of the CGU are fixed. Using these forecasts and applying a growth rate of 1.5% into perpetuity (using a pre-tax discount rate of 10.6%) indicates there is a significant level of headroom when compared with the carrying value of the assets of the CGU of £3.6m. The Board have also assessed the level of underperformance at which the headroom would be exhausted and below which an impairment would be triggered, under which the forecast cashflows would need fall by more than 20% each year and into perpetuity.

Whilst the Derby Conference Centre has been significantly impacted by the COVID pandemic, it is atypical of the hospitality market in that it generates revenues from various sources including rental of excess space. Further it is intrinsic to the other activities of the Group, providing facilities that enable and support key Ganymede contracts and derives revenue from these activities. Its diverse revenue base, together with cost actions already taken, and future sales enquiry levels support a reasonable expectation of profitability in the foreseeable future with the overall carrying value supported by forecast annual cashflows.

Taking the Group as a whole, there are no reasonably foreseeable changes in the forecast future trading performance or pre-tax discount rate of 10.6% that would result in the value in use being less than the recoverable amount of the group's aggregate goodwill, other intangible assets, property plant and equipment and right of use assets. In considering the level of available headroom, the model demonstrates that no impairment would be triggered even if the Group's aggregate forecast trading cash flows fell to 50% of the level achieved in 2020, with no recovery assumed for the full five year forecast period and into perpetuity.

Notes to the Group financial statements

For the year ended 31 December 2020

The carrying amounts for the prior period are as follows:

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

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 2020 (2019: Nil).

15. Deferred tax asset

	2020 £'000	2019 £'000
At 1 January	**95**	66
Credit to the profit for the year	**54**	29
At 31 December	**149**	95

The deferred tax asset is analysed as:

Recognised	**2020 £'000**	2019 £'000
Short-term temporary timing differences relating to share-based payments	**149**	95

16. Inventories

	2020 £'000	2019 £'000
Food, drink, and goods for resale	**7**	10

Stock recognised in cost of sales during the year as an expense was £59,579 (2019: £215,254).

Notes to the Group financial statements

For the year ended 31 December 2020

17. Trade and other receivables

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

	2020 £'000	2019 £'000
Gross trade receivables	**9,916**	12,721
Less: provision for impairment of trade receivables	**–**	–
Net trade receivables	**9,916**	12,721
Contract assets	**2,226**	2,175
Sub-total trade receivables and contract assets	**12,142**	14,896
Other receivables	**100**	51
Total financial assets other than cash and cash equivalents classified at amortised cost	**12,242**	14,947
Prepayments	**1,162**	862
	13,404	15,809

There was no impairment allowance for trade receivables at 31 December 2020 or 31 December 2019.

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

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

At 31 December 2020 and 31 December 2019, the lifetime expected credit loss provision for trade receivables and contract assets was considered immaterial and therefore not provided.

All gross carrying amounts relate to customers with no default history.

18. Liabilities

Trade and other payables	2020 £'000	2019 £'000
Trade payables	**2,073**	2,011
Contract liabilities	**89**	80
Other taxes and social security costs	**4,205**	2,350
Other payables	**1,138**	1,076
Accruals	**2,201**	2,976
	9,706	8,493

At 31 December 2020 other payables included pension contributions amounting to £71,516 (2019: 170,219). The maturity of trade payables is between one and three months. The carrying value of trade payables approximates to the fair value. The classification of contract liabilities at 31 December 2020 has been represented as explained in note 5.

Notes to the Group financial statements

For the year ended 31 December 2020

Current borrowings	2020 £'000	2019 £'000
Bank overdrafts	**967**	752
Invoice discounting arrangements	**–**	2,818
	967	3,570

The Group's bank overdrafts are secured by cross guarantees and debentures (fixed and floating charges over the assets of all the Group companies). The Group's bankers have a formal right of set-off and provides a net overdraft facility across the Group of £50,000 (2019: £50,000).

The Group also uses its invoice financing facility that is secured over the Group's trade receivables of £9m. There have been no defaults of interest payable or unauthorised breaches of financing agreement terms during the current or prior year.

19. Deferred tax liability

	2020 £'000	2019 £'000
At 1 January	**70**	64
Charge to the profit for the year	**52**	6
At 31 December	**122**	70
The deferred tax liability consists of:		
Other timing differences	**108**	53
Business combinations	**14**	17

20. Share capital

Allotted, issued, and fully paid – ordinary shares of 1p each:	2020 £'000	2019 £'000
As at 1 January 2020 14,643,707 shares (2019: 14,643,707 shares)	**146**	146
As at 31 December 2020 14,643,707 shares (2019: 14,643,707 shares)	**146**	146

Of the total issued shares of 14,643,707, there are 337,027 (2019: 377,027) own shares held in the RTC Group Employee Benefit Trust.

40,000 options were exercised during the year and own shares held in the EBT were used to satisfy this demand (2019: 40,000).

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

	At 1 January 2020 £'000	Cash Flows £'000	At 31 December 2020 £'000
Cash and cash equivalents	**798**	**2,029**	**2,827**

The amounts presented as cash and cash equivalents within the consolidated statement of cash flows comprise cash and cash equivalents of £2,827,000 (2019: £798,000) net of overdrafts of nil (2019: nil) which are subject to formal offset arrangements). Overdrafts of £967,000 (2019: £752,000), which do not fluctuate significantly, are considered to represent part of the core financing structure of the group and are included within financing cash flows.

Notes to the Group financial statements

For the year ended 31 December 2020

22. Risk management objectives and policies

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

	2020 £'000	**2020 %**	2019 £'000	2019 %
Increase /(decrease) in net result and equity	**+1%**	**–1%**	+1%	–1%
£'000	**71**	**(71)**	62	(62)

The interest rate on the invoice discounting facility is 2.25%. Whilst there were no amounts drawn under the facility at the year-end, the average usage of the facility across the year was £1,300,000, this gives an estimated annual interest charge for 2021 of £31,000.

Liquidity risk

The Group seeks to mitigate liquidity risk by effective cash management. The Group's policy throughout the year has been to ensure the continuity of funding by using a net overdraft facility of £50,000 and an invoicing discount facility up to £12m as required. The invoice discounting facility revolves on an average maturity of 120 days and is repayable on demand.

Credit risk

The Group extends credit to recognised creditworthy third parties. Trade receivable balances (note 17) are monitored to minimise the Group's exposure to bad debts. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. Independent credit ratings are used if available to set suitable credit limits. If there is no independent rating, the Board assesses the credit quality of the customer, considering its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. At the year-end none of the trade receivable balances that were not past due exceeded set credit limits and management does not expect any losses from non-performance by these counterparties. Further, the Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing.

It should be noted that there is a concentration of credit in respect of two customers whose revenues respectively make up 42% of the UK division and 97% of the International division. Debtor balances for these customers were £2.4m (2019: £2.5m) and £0.5m (2019: £2.0m) respectively at the end of the year. Both are blue chip clients that have never defaulted on any debts. Further the UK division customer is Government backed.

Foreign exchange risk

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

Notes to the Group financial statements

For the year ended 31 December 2020

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

	2020 £'000	2019 £'000
Trade payables	**2,073**	2,011
Accruals	**2,201**	2,976
Bank overdrafts	**967**	752
Invoice discounting	**–**	2,818
	5,241	8,557

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

23. Leases and right of use assets

Information about leases for which the Group is a lessee

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

Right of use assets

Carrying amounts of right of use assets for the financial year under review:

Net book value of right of use assets	Land and buildings £'000	Motor vehicles £'000	**Total £'000**
As at 1 January 2020	2,983	61	**3,044**
Additions	5	297	**302**
Disposal	(43)	(38)	**(81)**
Depreciation on disposals	43	38	**81**
Depreciation charge	(283)	(70)	**(353)**
As at 31 December 2020	2,705	288	**2,993**

The Board have considered the cash generating unit that is most sensitive to a potential impairment, being the Derby Conference Centre (which sits within Central Services) and concluded that there is no impairment of the carrying value of assets (refer note 14).

Carrying amounts of right of use assets for the prior period:

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

Notes to the Group financial statements

For the year ended 31 December 2020

Lease liabilities

Carrying amounts of lease liabilities relating to right of use assets for the financial year under review:

Net book value of lease liabilities	Land and buildings £'000	Motor vehicles £'000	**Total £'000**
As at 1 January 2020	3,086	51	**3,137**
Additions	5	297	**302**
Interest expense	112	18	**130**
Lease payments	(281)	(68)	**(349)**
As at 31 December 2020	2,922	298	**3,220**

Carrying amounts of lease liabilities relating to right of use assets for the prior financial period:

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

Lease liabilities included in the statement of financial position	**2020 £'000**	2019 £'000
Current	**276**	282
Non-current	**2,944**	2,855
Total	**3,220**	3,137

Amounts recognised in the consolidated statement of comprehensive income	**2020 £'000**	2019 £'000
Interest on lease liabilities	**130**	102
Expenses relating to short-term leases	**230**	317
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	**–**	–
Total	**360**	419

Maturity analysis - contractual undiscounted cashflows	**2020 £'000**	2019 £'000
Within 1 year	**393**	336
Between 2 and 5 years	**1,324**	1,326
Over 5 years	**2,167**	2,254
Total	**3,884**	3,916

Amounts recognised in the consolidated statement of cash flows	**2020 £'000**	2019 £'000
Interest payments	**130**	102
Payment of lease liabilities	**219**	246
Total cash outflow for leases	**349**	348

Sensitivity

Notes to the Group financial statements

For the year ended 31 December 2020

It is customary for land and buildings lease contracts to be periodically uplifted to market value, although some leases have future increases fixed at the outset. Contracts for the lease of a vehicle comprise only fixed payments over the lease term. All land and building lease contracts held by the Group also have fixed payments. The leasing arrangements are for the Derby Conference Centre and office space for the Group Head Office in Derby and a network of regional offices.

Information about leases for which the Group is the lessor

As at the balance sheet date the following amounts are expected to be received under non-cancellable operating sub-leases. Split as follows:

	2020 **£'000**	2019 £'000
Within 1 year	**202**	203
Between 2 and 5 years	**230**	126
Total	**432**	329

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

24. Related party transactions

There were no amounts owed by or to related parties at 31 December 2020 (31 December 2019: £Nil). There were no transactions with related parties during 2020 (2019: £Nil). The directors consider the key management personnel are the Group directors as listed in note 7.

25. Capital management

The Group's objectives when managing capital are:

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

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

RTC Group Plc

Company statutory financial statements

For the year ended 31 December 2020
(Prepared under FRS 101)

Company Number 02558971

Company statement of financial position

As at 31 December 2020

Company Number: 02558971

	Notes	**2020 £'000**	2019 £'000
Assets			
Non-current			
Right of use assets	30	**102**	37
Investments	31	**937**	937
		1,039	974
Current			
Deferred tax asset	33	**149**	94
Trade and other receivables	32	**7,598**	4,850
Cash and cash equivalents		**959**	611
		8,706	5,555
Total assets		**9,745**	6,529
Liabilities			
Current			
Trade and other payables	34	**(2,795)**	(1,322)
Lease liabilities	30	**(46)**	(13)
Corporation tax		**(54)**	(15)
		(2,895)	(1,350)
Non-current			
Lease liabilities	30	**(57)**	(17)
Net assets		**6,793**	5,162
Equity			
Share capital	36	**146**	146
Share premium		**120**	120
Own shares held		**(236)**	(264)
Capital redemption reserve		**50**	50
Share based payment reserve		**718**	557
Retained earnings		**5,995**	4,553
Total equity		**6,793**	5,162

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 £1,457,000 (2019: £1,347,000).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 21 February 2021 by:

A M Pendlebury

A M Pendlebury
Director

S L Dye

S L Dye
Director

The following notes 26 to 38 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	**146**	**120**	**(264)**	**50**	**557**	**4,553**	**5,162**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**1,457**	**1,457**
Transactions with owners:							
Share options exercised	**–**	**–**	**28**	**–**	**(4)**	**(15)**	**9**
Share based payment charge	**–**	**–**	**–**	**–**	**165**	**–**	**165**
Total transactions with owners	**–**	**–**	**28**	**–**	**161**	**(15)**	**174**
At 315 December 2020	**146**	**120**	**(236)**	**50**	**718**	**5,995**	**6,793**

The carrying amounts for the prior financial period were as follows:

	Share capital £'000	Share premium £'000	Own shares held £'000	Capital redemption reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	146	120	(292)	50	379	3,780	4,183
Total comprehensive income for the year	–	–	–	–	–	1,347	1,347
Transactions with owners:							
Dividends	–	–	–	–	–	(563)	(563)
Share options exercised	–	–	28	–	(15)	(11)	2
Share based payment charge	–	–	–	–	193	–	193
Total transactions with owners	–	–	28	–	178	(574)	(368)
At 31 December 2019	146	120	(264)	50	557	4,553	5,162

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

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

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

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

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

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

The following notes 26 to 38 form an integral part of these financial statements.

Notes to the Company financial statements

For the year ended 31 December 2020

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.

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;
- 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.

New accounting standards and interpretations

The Group has not adopted any new standards or interpretations in these financial statements. The Board does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group. After Brexit, the UK will continue to apply International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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, which considers historical experience and future expectations.

Intercompany balances

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

Notes to the Company financial statements

For the year ended 31 December 2020

28. Accounting policies

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

28.1 Investments

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

28.2 Taxation

Income taxes

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

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

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

Deferred tax

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

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

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

28.3 Pension costs

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

28.4 Trade and other payables

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

28.5 Trade and other receivables

There are no trade receivables in 2020 (2019: Nil). Amounts owed by Group companies are assessed for impairment based upon the current financial position and expected future performance of the subsidiary to which they relate.

28.6 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.

Notes to the Company financial statements

For the year ended 31 December 2020

28.7 Inter Group treasury facilities

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

28.8 Financial instruments

The only financial instruments held by the Company are Sterling financial assets and liabilities.

They have been included in the financial statements at their undiscounted respective asset or liability values. Financial assets are stated at amortised cost.

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

Other than lease liabilities for motor vehicles (refer notes 28.12 and 30), all the Company's financial liabilities mature in less than one year and are repayable on demand.

28.9 Shared-based payments

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

28.10 Share capital and dividends

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

28.11 Own shares held

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

28.12 Leases

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

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

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

Notes to the Company financial statements

For the year ended 31 December 2020

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

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

28.13 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 to write off the cost, less residual value, of each asset over its estimated useful life as follows: -

Motor vehicles 25%-33.3% per annum straight line

Residual values and remaining useful economic lives are reviewed annually and adjusted if appropriate. Gains and losses on disposal are included in the profit or loss for the period. The accounting policy for right of use assets is set out alongside the accounting treatment for lease liabilities in note 26.13.

29. Staff costs

	2020 £'000	2019 £'000
Wages and salaries	**1,742**	1,663
Social security costs	**198**	214
Other pension costs	**91**	83
	2,031	1,960

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

	Number 2020	Number 2019
Sales and administration staff	**28**	28

Notes to the Company financial statements

For the year ended 31 December 2020

30. Leases and right of use assets

Information about leases for which the Group is a lessee

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

Net book value of right of use assets – motor vehicles	2020 £'000	2019 £'000
As at 1 January	**37**	17
Additions	**101**	39
Disposals	**(17)**	–
Depreciation on disposals	**17**	–
Depreciation charge	**(36)**	(19)
As at 31 December	**102**	37

Net book value of lease liabilities – motor vehicles	2020 £'000	2019 £'000
As at 1 January	**30**	17
Additions	**101**	39
Interest expense	**6**	3
Lease payments	**(34)**	(29)
As at 31 December	**103**	30

Lease liabilities for motor vehicles in the statement of financial position	2020 £'000	2019 £'000
Current	**46**	13
Non-current	**57**	17
Total	**103**	30

31. Investments

Shares in subsidiary undertakings - Company	2020 £'000	2019 £'000
Cost at 1 January	**937**	937
Cost at 31 December	**937**	937
Provision for impairment at 31 December	**–**	–
Net book value at 31 December	**937**	937

Having regard to the assessments undertaken for the group and DCC CGU, the directors are satisfied that no impairments are required in respect of the carrying value of the investments in subsidiaries.

Notes to the Company financial statements

For the year ended 31 December 2020

At 31 December 2020, the Company held the share capital of the following subsidiary undertakings:

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

For the purposes of The Derby Conference Centre Limited, the Group has decided to take advantage of parental corporate guarantees under s479A of the Companies Act, allowing the entity to take audit exemptions and present unaudited statutory financial statements.

32. Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings*	**7,386**	4,640
Prepayments	**212**	210
	7,598	4,850

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

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

33. Deferred tax asset

	2020 £'000	2019 £'000
At 1 January	**94**	64
Charge to the profit for the year	**55**	30
At 31 December	**149**	94

The deferred tax asset is analysed as:

Recognised	**2020 £'000**	2019 £'000
Short-term temporary differences	**149**	94

Notes to the Company financial statements

For the year ended 31 December 2020

34. Trade and other payables

	2020 £'000	2019 £'000
Trade creditors	**621**	630
Amounts owed to Group undertakings	**–**	5
Other taxes and social security costs	**1,612**	83
Other creditors	**69**	76
Accruals	**493**	528
	2,795	1,322

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

Inter Group treasury facility	**2020 £'000**	2019 £'000
Inter Group treasury facility	–	–

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.

35. Contingent liabilities

The Company has a cross guarantee and debenture (fixed and floating charge over all assets) with the Group's bankers in respect of overdrafts of £967,000 (2019: £752,000) within other group companies.

The Company acts as guarantor for future lease payments of £3,283,333 (2019: £3,483,333) in respect of the lease of the Derby site by its subsidiary company, the Derby Conference Centre Limited.

36. Share capital

Allotted, issued and fully paid – ordinary shares of 1p each:	**2020 £'000**	2019 £'000
As at 1 January 14,643,707 shares (2019: 14,643,707 shares)	**146**	146
As at 31 December 14,643,707 shares (2019: 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.

37. 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 £5,962 (2019: £18,524) of outstanding contributions.

38. Post balance sheet events

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

Directors and advisers

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A M Pendlebury
S L Dye
B W May

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S L Dye

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