

Ganymede Solutions Limited



Report and financial statements Year ended 31 December 2019

Company information

Directors	A M Pendlebury P S Crompton S L Dye
Secretary	S L Dye
Company number	03579773
Registered office	The Derby Conference Centre London Road Derby DE24 8UX
Auditor	BDO LLP Regent House Clinton Avenue Nottingham NG5 1AZ

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Strategic Report

Year ended 31 December 2019

The Director's present their strategic report for the year ended 31 December 2019.

Results and dividends

Overall revenues increased to £45m (2018: £36m). The profit for the year, after taxation, amounted £1.1m (2018: £0.6m). The directors declared a dividend of £625,000 (2018: £500,000) to the Company's parent.

Review of 2019

Throughout 2019 the Company's Rail Division has successfully delivered against its core contract with Network Rail, supplying labour services including safety critical, track and E&P (electrification and plant) resources in the West, South West and North-East England, the Midlands and Wales. During the year Network Rail confirmed a one-year extension to Ganymede's core contract supplying contingent labour to Network Rail's maintenance programme.

The Company's contract with SSE Plc to provide dual fuel installers for their smart meter rollout programme started to gain momentum towards the end of the year.

Merger of Ganymede with ATA Recruitment

For many years Ganymede and its fellow RTC Group subsidiary, ATA Recruitment Limited, have successfully competed in their respective markets. Both businesses have enjoyed significant growth and have established reputations for delivering first class recruitment solutions to a range of clients in the rail, infrastructure, built environment and manufacturing sectors.

However, the competitive dynamics of the markets we serve are changing and our clients are demanding a broader solution from a streamlined supply chain. In our current format we have to approach clients multiple times through both businesses, set up individual trading arrangements under both companies and submit two sets of invoicing for payments. This, when clients are looking to streamline supplier relationships, reduce administration and transaction costs and award bigger contracts with fewer suppliers, is both counter intuitive and potentially damaging to the Group.

With this in mind, on 31 December 2019 the businesses were merged operationally, the ATA Projects business was branded with Ganymede creating a highly focused white-and-blue collar business. The ATA branch network will continue to operate and grow in their current locations and compete in their indigenous markets under the ATA Recruitment brand. Our commitment to grow both brands remains a key priority.

To provide a simplified company structure and streamlined back office procedures to underpin the merger, the assets of ATA Recruitment Limited were hived-up into Ganymede Solutions Limited on 31 December 2019. The assets were transferred at book value (refer note 19).

Key performance indicators

Overall Company success is measured by performance indicators, including gross profit (2019: £6.4m, 2018: £5.2m). At an operational level the Company has a monthly dashboard that it uses to monitor and measure performance on a range of indicators in the following areas: safety and compliance; fleet; service performance and delivery; customer accounts and relationships; debt management and recruitment performance.

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Risks and uncertainties

Loss of key customers

Loss of a key customer or large contract is a significant risk. To minimise this risk the Company's strategy is to work to retain existing customers and pursue new customers and contracts and to identify new market opportunities to spread the risk. The Company takes very seriously its commitment to providing excellent service and building and maintaining customer relationships.

Credit risk

The inability of a key customer to pay amounts owing due to financial difficulties is a risk. To minimise such risks the Company employs pro-active credit control techniques. The Company credit checks new customers and subscribes to a monitoring service and we 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 Company is reliant on its ability to recruit, train and retain its staff to deliver its growth plans. It continues to ensure that overall packages are competitive and include performance related incentives for staff. Succession plans are regularly reviewed.

Legislative risks

Constantly changing employment and tax legislation around intermediary staff presents an area of uncertainty and therefore risk. To mitigate these risks, in conjunction with our professional advisers, we monitor all changes in legislation and keep our documentation and procedures under review. The changes in the IR35 legislation which bring it into the private sector from April 2020 present a key risk to the contract business. There is a potential reduction in appetite for our clients to use contract staff as they will be responsible for deeming whether the role falls inside or outside of IR35. This will potentially have the most impact on the white-collar recruitment arm of Ganymede as a number of ATA Recruitment clients will not fall under the legislation due to the small company exemption. To mitigate this risk, we are working closely with our clients to discuss the implications of IR35 and guide them to compliant solutions. We are also investigating insurance products which may offer protection in relation to potential liabilities.

Reliance on technology

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

Cyber security and general data protection

The Company 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 Company is responding to this threat in a number of ways including system security measures and raising awareness with and training our staff to be vigilant. The Company also has responsibilities to protect data under the General Data Protection Regulation and works to ensure full compliance. It also holds ISO27001 accreditation.

Financial instruments

The Company has access to an overdraft facility, which is secured by a cross guarantee and

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debenture over all group companies. Further disclosures of financial instruments are included in note 15 to the financial statements.

Outlook and future developments

The key business objectives for 2020 are detailed below:

- Deliver revenue and contribution growth;
- Successfully integrate ATA Projects into Ganymede;
- Implement successful sales and account management strategy to drive growth;
- Develop ATA Recruitment growth from single main hub in Leicester;
- Continue improvement in safety performance;
- Implement digitalisation to improve efficiency of the search, application and induction processes and automate repetitive recruitment activities;
- Prepare for next Network Rail contingent labour tender due in 2020;
- Further develop our corporate social responsibility programme to support employees and wider society.

We remain committed to our goal of building a focused Company with both sustainability and profitability and the directors intend to continue to use free cash flow to enhance our balance sheet, to provide working capital for expansion and to invest in the future wherever necessary.

This report was approved by the Board on 10 March 2020 and signed on its behalf.



S L Dye
Director

Directors' Report

Year ended 31 December 2019

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

Principal activities

The principal activity of the Company during the year continued to be that of labour supply in safety critical environments.

Directors

The directors who served during the year and up to the date of approval of these financial statements were as follows:

A M Pendlebury

P S Crompton

S L Dye

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.

Likely future developments in the business of the Company

Information on likely future developments in the business of the Company has been included in the Strategic Report.

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 Company'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 Company.

Employment of disabled persons

The Company'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 Company. Retraining of employees who become disabled whilst employed by the Company is offered where appropriate.

Employee engagement and involvement

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

Periodically we undertake employee engagement surveys, the previous survey produced positive results and identified a few changes to working practices which have now implemented. We plan to

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continue with periodic employee engagement surveys 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 Company 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 that has been rolled out 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.

Corporate social responsibility

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

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

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

Post balance sheet events

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

Provision of information to auditor

So far as each of the directors is aware at the date the report is approved:

- there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps they should have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 "Reduced Disclosure Framework" ("FRS 101") and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true

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and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approval

This directors' report was approved by order of the Board on 10 March 2020 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'S L Dye', with a stylized, cursive script.

S L Dye
Director

Independent Auditor's report to the members of Ganymede Solutions Limited

Opinion

We have audited the financial statements of Ganymede Solutions Limited ("the Company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of changes in equity and the statement of financial position, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the

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financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Other - 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

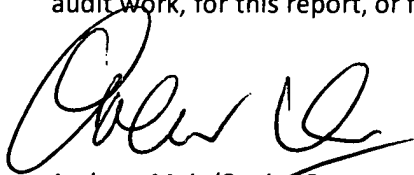
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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Use of our report

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

10 Nov 2020

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

Statement of comprehensive income

Year ended 31 December 2019

		2019	2018
	Note	£'000	£'000
Revenue	1,2	45,237	36,046
Cost of sales		(38,795)	(30,884)
Gross profit		6,442	5,162
Administrative expenses		(5,116)	(4,421)
Profit from operations	3	1,326	741
Finance expense	20	(3)	-
Operating profit/profit before tax		1,323	741
Tax expense	5	(269)	(157)
Profit after tax/total comprehensive income for the year		1,054	584

The following notes 1 to 20 form an integral part of these financial statements.

Statement of changes in equity

Year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	-	625	625
Total comprehensive income for the year	-	1,054	1,054
Transactions with owners:			
Dividends paid (note 12)	-	(625)	(625)
Total transactions with owners	-	(625)	(625)
At 31 December 2019	-	1,054	1,054

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	-	541	541
Total comprehensive income for the year	-	584	584
Transactions with owners:			
Dividends paid (note 12)	-	(500)	(500)
Total transactions with owners	-	(500)	(500)
At 31 December 2018	-	625	625

The following describes the nature and purpose of each reserve within equity:

Share capital

Nominal value of share capital subscribed for.

Retained earnings

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

The following notes 1 to 20 form an integral part of these financial statements.

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Statement of financial position

As at 31 December 2019

Company number: 03579773

	Note	2019 £'000	2018 £'000
Assets			
Intangible assets	6	125	-
Property, plant and equipment	7	396	100
Right of use assets	13	360	-
		881	100
Current			
Trade and other receivables	8	12,220	6,152
Cash and cash equivalents		149	415
		12,369	6,567
Total assets		13,250	6,667
Liabilities			
Current			
Trade and other payables	10	(9,807)	(5,143)
Lease liabilities	13	(98)	-
Corporation tax		(177)	(46)
Current borrowings	10	(1,822)	(839)
		(11,904)	(6,028)
Non-current liabilities			
Lease liabilities	13	(235)	-
Deferred tax liabilities	9	(57)	(14)
Net assets		1,054	625
Equity			
Share capital	11	-	-
Retained earnings		1,054	625
Total equity		1,054	625

The financial statements were approved and authorised for issue by the Board and signed on its behalf on 10 March 2020.



S L Dye
Director

The following notes 1 to 20 form an integral part of these financial statements.

Notes to the financial statements

Year ended 31 December 2019

1 Accounting policies

Ganymede Solutions Limited ("the Company"), a company limited by shares, was incorporated and is domiciled in 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 03579773. The principal activity of the Company is labour supply in safety critical environments.

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. Except as explained below, the policies have been consistently applied to all the years presented.

The financial statements have been prepared on a historical cost basis. 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 disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- these financial statements do not include certain disclosures in respect of share-based payments;
- 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.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the parent's consolidated financial statements.

Adoption of standards

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

IFRS 16 Leases sets out the principles for recognition, measurement and presentation of leases and replaces IAS 17 Leases. Adoption of IFRS 16 has resulted in the Company recognising right of use assets and lease liabilities for all qualifying contracts that are, or contain, a lease. Instead of recognising an operating expense for its operating lease payments, the Company has recognised interest on its lease liabilities and amortisation on its right of use assets, impacting profit from operations and the finance expense. The standard contains several options and exemptions which are available at initial adoption. The Company has applied the modified retrospective transition method and adopted certain practical expedients, such that the right of use asset recognised at the 1 January 2019 was £95,000 together with a corresponding lease obligation of £95,000. The impact on profit before tax for the Company for the year ended 31 December 2019 was £2,181 and there was no impact on opening equity at 1 January 2019 (refer note 18).

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

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

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

The principal accounting policies, which reflect the adoption of the above, are listed below:

1.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Performance obligations and timing of revenue recognition

The majority of the Company's revenue is derived from recruitment activities (permanent and temporary placements).

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

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

Revenue from permanent placements

Contractual obligations may vary from client to client, however, performance obligations arising from the placement of permanent candidates are 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 Company invoices customers based on the hours worked derived from customer 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 revenue and the Company also considers the impact of longer-term contractual supply agreements in the determination of the transaction price and the satisfaction of performance obligations.

1.3 Intangible assets

Software

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

1.4 Property, Plant and Equipment

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

Fixtures and fittings 3-5 years 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 new systems under development and not yet available for use and as such no depreciation has been charged.

1.5 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.

1.6 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.

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 and contract assets are 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.

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1.7 Cash and cash equivalents

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

1.8 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.

There are transactions and calculations for which the ultimate tax determination is uncertain. As a result, 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.

1.9 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.

1.10 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.

1.11 Leases

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

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

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

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

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Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Previous accounting policy for operating leases

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

1.12 Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- 1) The initial recognition of goodwill; and
- 2) 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 profit 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.

1.13 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.

1.14 Critical judgements and estimates

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 as set out below.

Judgements

Contracts with customers

The Company has one contract whereby there is a guaranteed minimum revenue over the three-year life of the contract rather than in any one financial year. It is the view of the Company that the minimum amount will be reached as actual services are provided to the customer over the life of the

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contract and as such revenue is recognised as services are provided which is consistent with the revenue recognition policy above.

Estimates and assumptions

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. There can be delays in the submission and approval of timesheets and an estimate is therefore made of the value of the accruals in respect of timesheets that are yet to complete the submission and approval process and the associated revenue earned at 31 December 2019. Further details of the related contract assets are included in note 2.

Lease liability interest on right of use assets

The weighted average incremental borrowing rate used to measure the lease liability at initial application was 3% (land and buildings) and 5% (motor vehicles). This rate has been used as being representative of current open market borrowing rates for the type of asset. A +/- 1 % change in the weighted average incremental borrowing rate used to measure the initial lease liability would have an impact of +/- £10,000 on the total right of use asset value.

The Group sometimes negotiates break clauses in its property leases. At 31 December 2019 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it was considered reasonably certain that the Group would not exercise its right to break any lease.

2 Revenue

Revenue is attributable to one class of business. All revenue arose within the United Kingdom.

Contract assets

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

Following clarification of the definition of contract liabilities the comparative figures have been represented and an amount of £1,172,000 has been transferred to accruals at 31 December 2018 (2017: 808,000).

Contract balances	Contract assets 2019 £'000	Contract assets 2018 £'000
At 1 January	1,444	738
Transfers in the period from contract assets to trade receivables	(1,444)	(738)
Excess of revenue recognised over amounts invoiced (or rights to cash) being recognised during the period	942	1,444
Movement in accrued liabilities in respect of accrued contractor timesheets.	-	-
At 31 December	942	1,444

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Remaining performance obligations

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

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

3 Operating profit/profit before tax

Operating profit/profit before tax is stated after charging:

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets owned by the Company	43	34
Amortisation of right of use assets	55	-
Expenses relating to short term leases	125	-
- Land and buildings	-	148
Fees payable to the Company's auditor:		
- for the audit of the Company's annual accounts	12	10
- for taxation services	1	1

4 Directors' and employees' remuneration

	2019 £'000	2018 £'000
Directors emoluments:		
- paid by the Company	234	173
- paid by RTC Group plc	304	267

Company pension contributions to money purchase schemes:

- paid by the Company	3	10
- paid by RTC Group plc	2	7

The number of directors accruing benefits under money purchase pension schemes were:

- paid by the Company	1	1
- paid by RTC Group plc	1	1

The highest paid director was paid £234,425 (2018: £168,755) in respect of services provided to the Company.

The value of the contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £2,500 (2018: £Nil).

Staff costs, including directors' emoluments, were as follows:

	2019 £'000	2018 £'000
Wages and salaries	2,315	1,920
Social security costs	268	227
Other pension costs	128	95
	2,711	2,242

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

	Number	Number
Administrative staff	60	55

5 Taxation

	2019	2018
	£'000	£'000
Continuing operations		
Current tax		
UK corporation tax charge on profit for the year	245	149
Adjustment in respect of previous period	8	4
Total current tax	253	153
Deferred tax (see note 9)		
Origination or reversal of temporary differences	16	4
Tax on profit	269	157

Factors affecting the tax expense

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

	2019	2018
	£'000	£'000
Profit before tax	1,323	741
Profit multiplied by standard rate of corporation tax of 19% (2018: 19%)	251	141
Effects of:		
Non tax-deductible expenses	10	12
Adjustment in respect of prior period	8	4
Tax charge for the year (see note above)	269	157

Factors that may affect future tax charges

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

6 Other intangible assets

	Software and licences £'000
Gross carrying amount	
At 1 January 2019	-
Transfer from group undertaking	323
At 31 December 2019	323
Amortisation	
At 1 January 2019	-
Transfer from group undertaking	198
At 31 December 2019	198
Net book amount at 31 December 2019	125
Net book amount at 31 December 2018	-

The remaining useful life of the intangible assets is 2 years.

7 Tangible fixed assets

	Fixtures and fittings £'000	Capital work- in-progress £'000	Total £'000
Cost			
At 1 January 2019	213	11	224
Additions	117	19	136
Transfer from group undertaking	723	31	754
At 31 December 2019	1,053	61	1,114
Depreciation			
At 1 January 2019	124	-	124
Charge for the year	43	-	43
Transfer from group undertaking	551	-	551
At 31 December 2019	718	-	718
Net book amount			
At 31 December 2019	335	61	396
At 31 December 2018	89	11	100

The carrying amounts for the prior period are as follows:

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	Fixtures and fittings £'000	Capital work-in- progress £'000	Total £'000
Cost			
At 1 January 2018	163	13	176
Additions	37	11	48
Transfer to fixtures and fittings	13	(13)	-
At 31 December 2018	213	11	224
Depreciation			
At 1 January 2018	90	-	90
Charge for the year	34	-	34
At 31 December 2018	124	-	124
Net book amount			
At 31 December 2018	89	11	100
At 31 December 2017	73	13	86

8 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Gross trade receivables	10,700	4,385
Less: provision for impairment of trade receivables	-	-
Net trade receivables	10,700	4,385
Contract assets	942	1,444
Total financial assets other than cash and cash equivalents classified at amortised cost	11,642	5,829
Amounts due from Group undertakings	4	-
Other receivables	30	16
Prepayments	544	307
	12,220	6,152

Movement in impairment allowance for trade receivables:	2019 £'000	2018 £'000
At 1 January	-	92
Increase during year	-	-
Receivable written off in year as uncollectable	-	(30)
Unused amounts reversed	-	(62)
At 31 December	-	-

Other classes of financial assets included within trade and other receivables do not contain impaired assets. The Company does not hold any collateral in respect of the above balances. They relate to

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customers with no default history. The carrying value of trade receivables and contract assets classified at amortised cost approximates fair value.

The Company 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 Company'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 Company's customers.

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

	Total	Current	Past due by 30 days or more	Past due by 60 days or more	Past due by 120 days or more
Expected loss rate		0.016%	0.016%	0.016%	0.016%
Gross carrying amount	10,700	10,254	240	66	140
Loss provision ¹	1,712	1,641	38	11	22

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

The comparative figures for the prior financial period are as follows:

	Total	Current	Past due by 30 days or more	Past due by 60 days or more	Past due by 120 days or more
Expected loss rate		0.019%	0.019%	0.019%	0.019%
Gross carrying amount	4,385	1,245	2,527	565	48
Loss provision ¹	0.8	0.2	0.5	0.1	-

9 Deferred tax liability

	2019 £'000	2018 £'000
At 1 January	14	10
Charged to profit for the year relating to accelerated capital allowances	16	4
Transfer from group undertaking	27	-
At 31 December	57	14

10 Trade and other payables

Liabilities	2019 £'000	2018 £'000
Trade payables	1,105	229
Amounts owed to group undertakings	4,022	2,111
Other taxes and social security costs	2,125	1,005
Other payables	645	194
Accruals	1,910	1,604
	9,807	5,143

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

The classification of contract liabilities at 31 December 2018 has been represented as explained in note 2.

Borrowings	2019 £'000	2018 £'000
Bank overdrafts	24	-
Invoice discounting arrangements	1,798	839

The Company has access to a bank overdraft via the group banking facilities. There is no limit on the overdraft that an individual Company within the Group has provided the net facility is under £50,000 (2018: £50,000). The costs of maintaining the facility are borne by the parent company. The management recharges include a proportion of their costs, but, as they are not separately identifiable, they are presented within administrative costs.

During the year, the Company has used its bank overdraft which is secured by a cross guarantee and debenture (fixed and floating charge over all assets) over all group companies, and its invoice financing facility that is secured over the book debts of the Company. There have been no defaults of interest payable or unauthorised breaches of financing agreement terms during the current or prior year. The costs of maintaining the invoice discounting facility are borne by the parent company. The management recharges include a proportion of their costs, but, as they are not separately identifiable, they are presented within administrative costs.

11 Share capital

	Allotted, called up and fully paid	
	No.	£
At 1 January 2019 and 31 December 2019		
Ordinary shares of 1p each	200	2

12 Dividends

	2019 £'000	2018 £'000
Dividends paid on equity (£3,125 per share, 2018: £2,500 per share)	625	500

13 Leases and right of use assets

Information about leases for which the Company is a lessee

The Company leases land and buildings which are shown as right of use assets on the statement of financial position.

	Land and buildings	Motor vehicles	Total
	£'000	£'000	£'000
Net book value of right of use assets			
Balance at 1 January 2019	57	38	95
Additions	-	-	-
Depreciation charge	(33)	(22)	(55)
Transfers from group undertaking	310	10	320
Balance at 31 December 2019	334	26	360

Lease liabilities

	Land and buildings	Motor vehicles	Total
	£'000	£'000	£'000
Net book value of lease liabilities			
Balance at 1 January 2019	57	38	95
Additions	-	-	-
Interest expense	1	2	3
Lease payments	(44)	(27)	(71)
Transfers from group undertaking	296	10	306
Balance at 31 December 2019	310	23	333

	2019
Lease liabilities included in the statement of financial position	£'000
Current	98
Non-current	235
Total	333

	2019
Amounts recognised in the consolidated statement of comprehensive income	£'000
Interest on lease liabilities	3
Expenses relating to short-term leases	140
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	-
Total	143

Sensitivity

It is customary for land and buildings lease contracts to be periodically uplifted to market value, although some leases have future increases fixed at the outset. All land and building lease contracts held by the Company have fixed payments.

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

	2018 £'000
Within 1 year	50
Between 2 and 5 years	6
Over 5 years	2
Total	58

The Company does not act as a lessor.

14 Pension costs

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.

Contributions made by the Company to the scheme during the year amounted to £127,639 (2018: £94,698). Included in other creditors is £141,840 (2018: £32,964) relating to outstanding contributions payable to the pension scheme.

15 Financial instruments

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

The Company 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 Company is exposed are described below.

Interest rate risk

The Company 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.

Liquidity risk

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

Credit risk

The Company extends credit to recognised creditworthy third parties. Trade receivable balances (note 8) are monitored to minimise the Company's exposure to bad debts. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. Independent credit ratings are used if available to set suitable credit limits. If there is no independent rating, the Board assesses the credit quality of the customer, considering its financial position, past-experience and other factors. The utilisation of credit limits is regularly monitored. At the year-end none of the trade receivable balances that were not past due or specifically provided against exceed set credit limits and management does not expect any losses from non-performance by these counterparties.

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The Company has the financial assets set out in note 8. The Company's financial liabilities are as follows:

	2019 £'000	2018 £'000
Trade and other payables		
Trade payables	1,105	229
Amounts owed to group undertakings	4,022	2,111
Other payables	645	194
Accruals	1,910	1,604
Invoice discounting	1,798	839
Bank overdrafts	24	-
	9,504	4,977

All the Company's financial liabilities mature in less than one year.

The Company's financial assets and liabilities are valued at amortised cost (which equates to fair value) under the "SPPI" test outlined in IFRS 9. Under the "SPPI" test these meet the requirement of being solely payments of principal and interest. Further because of their nature they do not include a significant financing element. In addition to meeting the SPPI test the business model is to collect the contractual cash flows.

16 Contingent liabilities

The Company has entered into a cross guarantee and debenture (fixed and floating charge over all assets) with the Group's bankers in respect of overdrafts of £24,000 (2018: £Nil) within other group companies.

17 Parent undertakings and controlling parties

The Company is controlled by RTC Group Plc. The parent undertaking of the largest and smallest group for which consolidated financial statements are prepared is RTC Group Plc. Consolidated financial statements are available from RTC Group Plc, The Derby Conference Centre, London Road, Derby, DE24 8UX. In the opinion of the directors this is the Company's ultimate parent Company.

18 Effects of changes in accounting policies

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

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	As reported £'000	IFRS 16 adjustments £'000	Without IFRS 16 adoption £'000
Revenue	45,237	-	44,980
Cost of sales	(38,795)	-	(38,538)
Gross profit	6,442	-	6,442
Administrative expenses	(5,116)	(8)	(5,124)
Profit from operations	1,326		1,318
Finance expense	(3)	3	-
Profit before tax	1,323	(5)	1,318
Tax expense	(269)	1	(268)
Profit after tax /total comprehensive profit for the year	1,054	(4)	1,050

	As reported £'000	IFRS 16 adjustments £'000	Without IFRS 16 adoption £'000
Intangible assets	125	-	125
Property, plant and equipment	396	-	396
Right of use assets	360	(360)	-
Cash and cash equivalents	149	-	149
Trade and other receivables	12,220	-	12,220
Total assets	13,250	(360)	12,890
Trade and other payables	(9,807)	(22)	9,785
Lease liabilities	(333)	(333)	-
Corporation & Deferred tax	(234)	(1)	233
Current borrowings	(1,822)	-	1,822
Total liabilities	(12,196)	(356)	11,840
Net assets	1,054	(4)	1,050
Share capital	-	-	-
Retained earnings	1,054	(4)	1,050
Total equity	1,054	(4)	1,050

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

	31 December 2018 as originally presented £'000	IFRS 16 adjustments £'000	1 January 2019 £'000
Assets			
Property, plant and equipment	100	-	100
Right of use assets	-	95	95
Liabilities			
Loans and borrowings	(6,042)	-	(6,024)
Lease liabilities	-	(95)	-
Equity			
Retained earnings	625	-	625

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

	£'000
Minimum operating lease commitments at 31 December 2018	57
Less: Short-term leases not recognised under IFRS 16	(14)
Less: Low value leases not recognised under IFRS 16	-
Undiscounted lease payments	43
Less: Effect of discounting using the incremental borrowing rate as at the date of initial application	52
Lease liabilities for leases classified as operating type under IAS 17 as at 1 January 2019	95

19 Hive up of ATA Recruitment Limited

On 31 December 2019 the assets of ATA Recruitment Limited were hived up into Ganymede Solutions Limited. The transfer was made at net book value.

20 Finance expense

	2019 £'000	2018 £'000
Interest expense on lease liabilities	3	-