

**Gattaca plc****Preliminary Results for the year ended 31 July 2017**

Gattaca plc ("Gattaca" or the "Group"), the specialist Engineering and Technology (IT & Telecoms) recruitment solutions business, today announces its Preliminary Results for the year ended 31 July 2017.

**Financial Highlights**

|                                   | 2017          |                         | 2016      |                         | Change         |                         |
|-----------------------------------|---------------|-------------------------|-----------|-------------------------|----------------|-------------------------|
|                                   | Statutory     | Underlying <sup>2</sup> | Statutory | Underlying <sup>2</sup> | Statutory      | Underlying <sup>2</sup> |
|                                   | £m            | £m                      | £m        | £m                      | %              | %                       |
| Revenue                           | <b>642.4</b>  | <b>642.4</b>            | 617.6     | 616.8                   | <b>+4%</b>     | <b>+4%</b>              |
| Net Fee Income (NFI) <sup>1</sup> | <b>74.7</b>   | <b>74.7</b>             | 73.0      | 72.4                    | <b>+2%</b>     | <b>+3%</b>              |
| Profit from operations            | <b>12.7</b>   | <b>17.4</b>             | 15.1      | 21.4                    | <b>-16%</b>    | <b>-19%</b>             |
| Profit before tax                 | <b>11.5</b>   | <b>16.2</b>             | 15.1      | 20.4                    | <b>-24%</b>    | <b>-21%</b>             |
| Basic earnings per share          | <b>23.4p</b>  | <b>35.3p</b>            | 32.1p     | 45.6p                   | <b>-27%</b>    | <b>-23%</b>             |
| Diluted earnings per share        | <b>22.7p</b>  | <b>34.3p</b>            | 31.0p     | 44.1p                   | <b>-27%</b>    | <b>-22%</b>             |
| Final dividend                    | <b>17.0p</b>  |                         | 17.0p     |                         | <b>0%</b>      |                         |
| Total dividend                    | <b>23.0p</b>  |                         | 23.0p     |                         | <b>0%</b>      |                         |
| Net debt at end of period         | <b>£40.3m</b> |                         | £25.0m    |                         | <b>-£15.3m</b> |                         |

The following footnotes apply, unless where otherwise indicated, throughout these Preliminary Results:

<sup>1</sup> NFI is calculated as revenue less contractor payroll costs

<sup>2</sup> Underlying results exclude the trading and net proceeds of divested businesses (2017: £nil; 2016: £0.2m loss), acquisitions costs (2017: £0.2m; 2016: £nil), amortisation of acquired intangibles (2017: £3.1m; 2016: £3.7m) and integration and restructuring costs (2017: £1.4m; 2016: £2.4m), exchange gains from revaluation of foreign assets and liabilities (2017: £nil; 2016: £1.0m).

**Group Performance**

Profits in line with market expectations.

- Group NFI grew 2%
- After further adjusting underlying results to treat Resourcing Solutions Limited as if it had been owned throughout 2016 and 2017, and on a constant currency basis, NFI was down 4%, as indicated in our August trading update
- UK Engineering NFI was down 3%; half of the impact of which was recovered through a reduction in staff costs\*
- UK Technology NFI was down 6%, 20% of the impact of which was recovered through a reduction in staff costs offset by investments in new teams to address market segments introduced during the year\*
- Gattaca solutions business upselling to existing clients and generating new business wins
- International NFI was 4% lower, with strong growth in the US of 21% masked by contract reductions in South Africa, in particular\*
- Networkers operational integration now complete
- Excluding the impact of acquisitions in the year, discontinued operations in 2016, non-recurring items and amortisation of intangibles, administrative expenses increased by £3.9m on a reported currency basis. This was principally driven by the impact of exchange rate movements and investment in international sales staff

\*NFI commentary is on this adjusted constant currency basis

## Dividend

- Final proposed dividend at 17.0 pence per share (2016: 17.0p), maintaining total for the year at 23.0 pence per share (2016: 23.0p)

## Outlook

- UK Engineering exit rates for FY17 indicated that the decline in those markets was abating, with Q4 1% down on the prior year. Post year-end, our September year-to-date NFI has shown modest growth on prior year on a reported currency basis
- UK Technology continued to face challenges in Q4, especially Telecoms where gains in new markets such as converging telecoms were not sufficient to offset lower demand for our network infrastructure market
- Internationally, the Americas, our key international market of focus, exited FY17 with Q4 27% higher than prior year and Asia 14% higher. We expect both these markets to continue to grow strongly in FY18. Elsewhere, the Middle East is now stable and South Africa is showing recovery from last year's contract reductions

## Commenting on the results, Brian Wilkinson, Chief Executive of the Group said:

*"Whilst the Group's headline results reflect a challenging year, there has been significant progress in many areas of the business and we are confident of further improvement in 2018.*

*"Overall we believe our UK business performed slightly better than the market and we managed operational costs well. During the year we rolled-out Matchtech's long-established strategy to Networkers. This strategy of operating in specialist markets and nurturing deep and enduring client relationships, supported by strong centralised marketing and business development programmes, continues to deliver high productivity by our consultants and a leading Conversion Ratio (adjusted operating profit to net fees). Our Gattaca Solutions offering is gaining traction with a number of contract extensions and upgrades last year and an exciting pipeline of opportunities for 2018. Whilst this roll-out led to increased Group support costs during the year, these investments will deliver returns in 2018 and beyond.*

*"Internationally, the diversification and growth of our client base has progressed well. Our regional management teams have carefully selected vertical markets in which to roll out our Matchtech brand and through our Networkers brand have developed higher level IT business to complement our legacy telecoms infrastructure market business. New management has been introduced to our Middle East and South Africa businesses, complementing the strong management teams established in the Americas and Asia last year. Our positive Q4 exit rates in North America and Asia lead us to expect further significant growth in these markets over the coming year."*

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## **Chairman's Statement**

While the headline results reflect a challenging year, there has been significant progress in many areas, and we are confident there is further improvement to come. The Board is committed to achieving these improvements and restoring the Group to profitable growth.

Gattaca has a strong market position as a truly specialised recruiter wholly focused on engineering under the Matchtech brand and technology under Networkers. We expect to expand our position in both sectors and service our clients, particularly in areas where there are significant skills shortages.

At present, with around 80% of our business generated by our UK offices, we remain heavily dependent on the UK economy. We have achieved stronger results in the UK than many of our peer group, but we recognise we must do even better.

Our international business, while growing in the Americas and Asia, has faced challenges in the Middle East and South Africa. We continue to invest internationally in sales headcount and new offices where we see significant opportunity for growth.

The integration of Networkers into the Group is now complete, although it took longer than we originally hoped, as we combined the best of the two cultures, rather than impose one over the other.

Our most important asset continues to be our people. We have a highly engaged and productive workforce - one of the most productive in the industry - led by an experienced and established management team. Our aim is to attract and retain the best talent and we are pleased we are seeing retention rates above the industry standard.

Our dividend policy remains an important part of our investment proposition. We set the dividend by taking into account current levels of debt, dividend cover and future earnings expectations. As a sign of our confidence in the Group's future performance and despite a fall in diluted earnings per share (EPS) to 22.7 pence (down 27%), the Board is pleased to propose (subject to shareholder approval) a maintained total dividend for the year of 23.0 pence (Interim paid: 6.0 pence, Final proposed: 17.0 pence).

We made two appointments to the Board in the last year. Salar Farzad was appointed our new Chief Financial Officer and Mark Mamone joined as a Non-Executive Director. Salar comes from a media background and has extensive international experience, and the benefit from having worked for a number of quality 'blue-chip' organisations. Mark brings deep technology experience to the board and has already established a Digital Advisory Committee to help us in this area. On behalf of the Board, I would like to thank Tony Dyer, our departing CFO, for the contribution he made to the Company over the last 21 years. We also extend our best wishes to Rudi Kindts, who retired as a Non-Executive Director in July 2017.

The medium-term strategy for Gattaca is to continue to expand our international footprint, as well as the offices where we already operate. While international will become a larger share of the overall portfolio, we will also continue to grow in the UK. In a very fragmented industry, there is room for growth and plenty of opportunities in both our core sectors.

The Group's employees are exceptionally good at what they do and everyone from the Board downwards is committed to delivering sustained improved performance.

**Patrick Shanley**  
**Non-Executive Chairman**

## Chief Executive Officer's Review

Gattaca is a leading specialist engineering and technology recruitment solutions company, with UK and international operations. We operate in the specialist STEM markets (science, technology, engineering and maths), all sectors with skills shortages, where clients need our support to attract and retain suitable talent.

One of Gattaca's distinguishing characteristics is our focus on people, through which we aim to attract and retain the best talent. This focus is working. Gattaca is now recognised as an employer of choice in the recruitment industry, due to the unique workplace culture we have built. An engaged, low-turnover workforce is one of the reasons we are a high productivity business, based on net fee income (NFI) per head. This, combined with our relatively low cost base, produces an industry-leading conversion ratio of gross to adjusted operating profit.

We have a simple, three-point strategy, which is to sharpen our focus, move up the value chain and think globally - in effect, to continue to position ourselves as specialists in our chosen sectors and skill sets, to aim for higher value projects and relationships, and to replicate our successful UK engineering model in the technology sector and in fast-growing international markets.

### Performance overview

In the UK, our overall lower pro-forma NFI performance of 4%, when compared to the prior year, was slightly better than the market. Our continued focus on recurring contract revenues (80% of NFI on a pro-forma basis) has provided stability, compared with the more volatile permanent fee revenue stream.

#### *UK Engineering - 59% of Group NFI on a pro-forma basis*

Results varied across contract recruitment (NFI up 1% pro-forma) and permanent recruitment (NFI down 15% pro-forma), and in our industry verticals as major projects and initiatives closed or came on line.

Our aerospace division grew by 13% as manufacturers invested in and restructured their businesses.

The automotive division was down 12% as car-makers and their suppliers delayed non-essential investment following the EU referendum. However, there are significant opportunities in the electric and alternative fuel vehicle sector.

In the maritime sector, we saw a 21% drop in NFI as we rebuilt following the completion of a number of projects. However, the sector is now growing in the UK, and with some major naval projects underway in Barrow and Glasgow, the outlook is more positive and we expect a return to growth this year.

In the infrastructure sector, NFI was down 5%, partly due to changes in tax treatment of public sector contractors (IR35). Within the water sector, the supply of civil, mechanical and electrical discipline specialists into the major UK capital delivery water frameworks saw us achieve 10% year-on-year NFI growth. This reflects a market boosted by the regulatory AMP6, a five year capital delivery programme, where billions of pounds are invested into the UK water industry to maintain, improve and build on the UK's current clean and wastewater infrastructure. Our rail business declined slightly on the prior year, mainly due to external factors such as IR35 and market uncertainty, which saw some projects delayed or put on hold. The buildings sector saw us heavily affected initially by the market's response to the EU referendum in June 2016 and, towards the end of the year, the snap General Election in June 2017. A combination of these issues and a lack of confidence from investors resulted in a 38% drop in NFI year on year. The market has now stabilised with help from Middle Eastern and Far Eastern investment, and growth in the market is being forecast into 2018. Within the highways sector, we saw an NFI drop of 10% year on year in the public sector where the negative impacts of HMRC legislation changes were too big for the private sector to recover. However, the sector has responded and activity within our public sector clients is improving, alongside high private sector investment.

In our general engineering division, positive contract growth of 4% was offset by a weaker performance in permanent recruitment, down 26%, and total NFI reduced by 9%. However, demand for manufacturing skills on a temporary basis was consistently high, particularly within the FMCG, consumer electronics and defence sectors. Energy was down 3%, but saw growth from transmission, distribution and renewable energy. Despite delays at Hinkley Point C, we expect requirements to increase this year. The converging engineering technology market, where we supply software, electronics and automation specialists across our engineering sectors, was the stand-out performer, with 19% year-on-year NFI

growth. This reflects both a buoyant market and the increasing shortage of these skills in the UK. The UK automotive technology market, in particular, offers exciting opportunities as the hybrid electrical, connected car and autonomous driving markets evolve. Our strong ties with the traditional engineering base are key to these openings.

Midway through the year, in February 2017, we acquired a majority stake in Resourcing Solutions Limited (RSL), a leading recruiter in the rail industry and a clear complement to our Matchtech business. The deal positions us well to take advantage of the increasing investments to come in rail infrastructure, both in the UK and around the world. For example, we are working on three major rail projects in Malaysia. RSL brings us expertise in signalling, electrification and safety, and also coverage across the UK in rail, to enhance our previously London-centric rail business. The acquisition was earnings enhancing from day one.

Barclay Meade, our professional services brand, recruiting finance, procurement, sales and HR professionals, had a disappointing year with an NFI decline of 21%. The second half of the financial year saw a much stronger performance from procurement, our largest department, and we continue to see high demand for procurement and sales professionals, particularly from our engineering clients.

Alderwood, which places trainers and assessors with training providers throughout the UK and the Middle East, saw a 4% NFI drop. The implementation of the Apprenticeship Levy has, however, led to a recent upturn in business levels.

#### *UK Technology – 21% of Group NFI*

UK Technology NFI was 8% lower than in 2016, with contract down 7% and permanent 8% lower. IT NFI was down 5% whilst telecoms continued to be challenging, being 13% lower. However, certain niches, while smaller at this stage, are showing strong growth, for example converging telecoms, which was 43% higher than last year.

During the year, we carried out a strategic review of our technology recruitment business, largely acquired from Networkers, as we completed its operational integration. We have repositioned Networkers from being a generalist telecoms and IT recruiter to a highly focused specialist business that enables our clients to find scarce experts in growing and attractive niche markets, such as data science and cyber security.

While our newer business areas are achieving growth, many of our legacy businesses continue to be challenging and, as in Engineering, results were mixed across our businesses, which are aligned to skill sets.

Within our IT business, security doubled its NFI and cloud grew 8%, strategic accounts grew 12%, leadership grew 5% and our public sector business grew 6%, though in the latter we saw negative growth in H2 following the IR35 tax changes in April 2017. Since this time we have seen a reduction of 35% in our public sector contractor numbers. To lessen the impact in this area, we have diversified into offering permanent resourcing in the public sector market.

These examples of growth are arising as organisations are investing heavily in applications and software to gain a greater insight into their markets and customer profiles. This is resulting in increased demand for skills in areas such as data science and data analytics. The next stage in the progression of our clients using data and algorithms will see the increased use of artificial intelligence (AI) and robotics to drive process and cost efficiencies. We are therefore making early stage investments in this area, developing candidate pools to support our clients' growth in these newer technologies, and we are having particular success in the autonomous vehicles sector.

There has also been a large number of start-up organisations developing products in this area. Towards the end of 2017, we established a new specialist business unit to support these clients by supplying not only relevant technology skills, but also sales professionals to help them build their businesses. The area of technology sales is proving lucrative across our technology landscape, and we are investing in it, to complement our technology service offering. Although this area is nascent, we are seeing encouraging initial results.

Our legacy IT businesses faced more headwinds, with corporate accounts down (20)%, development down (18)% and ERP down (10)%. With the move to more cloud-based ERP solutions, we are experiencing fewer large implementations of products such as Oracle and SAP, leading to reduced demand for contract staff. To counter this, we have realigned our product offering to other areas within

the cloud market, including by focusing on senior architecture staff as well as specialising in providing staff in application markets such as salesforce. We have reduced staffing levels in these business units and reinvested the savings into the growth areas referred to above.

With the shift in strategy by a number of our telecoms clients to diversify their business away from their roots as traditional vendors, we are seeing increased demand in skills required to support the growth of the Internet of Things. While our legacy corporate accounts business saw NFI reduce by (23%), we held NFI level in our operations and business support (OSS/BSS) business unit and encouragingly, we grew NFI in our new converging communications area by 43%.

*International – 20% of Group NFI not including international income generated from UK offices*

Before the acquisition of Networkers (in April 2015), we were highly UK-centric, with 98% of our sales being domestic. Through the acquisition, we inherited a small presence in 10 countries, and we are now growing these international operations to diversify our geographical market and widen our client base.

Progress in these areas is taking time, and we saw 4% negative NFI growth (in constant currency) in international operations over the full year. However, within this division, we have seen strong growth in our Americas business (up 27% year-on-year on a constant currency basis in Q4) and in Asia (with 14% year-on-year constant currency growth in Q4). We anticipate this momentum continuing in both regions, and that the Middle East and Africa (MEA) region will return to growth in 2018.

During the year, we established a presence in Munich to take advantage of the opportunities we see in Germany. Bavaria is the centre of European engineering business, particularly for automotive and aerospace clients and their supply chains.

Networkers is now operating in Madrid, where we are focusing on permanent and contract roles across bank technology, SAP and supporting the Unisys account. We have also invested in developing a communications team focusing on cloud and security, and reinforcing our FinTech vertical, working with four of the top 10 banks in Spain.

In the Americas, the USA saw growth of 96% year on year in Engineering. Within Technology, a shortage of software sales executives has led to a huge drive by technology companies to acquire the best. We have exclusive agreements with three such clients across the Americas. The telecoms business saw a considerable upswing in H2, driven by 4G densification efforts by the big four operators. We expect this to continue as operators prepare their networks for 5G deployment. FinTech continues to grow strongly and we are ideally positioned to take advantage of this with offices in Toronto and Mexico City, two of the three largest financial hubs in North America. In Latin America, huge 4G deployments and new market entrants are behind growth in the telecoms sector, and our global relationships with large vendors such as Huawei and Nokia have us well positioned to take advantage. The introduction of the Matchtech brand has led to us serving a much more diversified client base within the construction and automotive sectors.

This success has been replicated in Asia, where we have seen strong growth under the Matchtech brand. We are achieving this due to the demand for specialist talent to support large infrastructure projects, particularly in Malaysia, where we are working on several large rail and road projects, as well as new build projects. We launched the Matchtech brand in China during the year and, in addition to growth in infrastructure business, we have secured key client wins in the automotive sector.

Africa had a challenging year, with a difficult political and economic backdrop precipitating a 24% NFI decline. Our Infrastructure team, however, showed solid growth and the outlook is promising with infrastructure development seen as the key to unlocking economic growth on the continent. Our IT team saw NFI growth of 5%, with a key focus on FinTech, an area in which we expect to benefit from regional market growth.

In the Middle East, our largest market is construction, much of it for Expo 2020 in Dubai. Rail will be a growth market in 2018 with the Doha Metro and Riyadh Metro to come, and further potential opportunities in Oman and Kuwait. We are also expecting more work in stadia and infrastructure with the lead up to the FIFA World Cup in Qatar in 2022. In addition, more governments are planning renewable energy projects, and we also expect growth from the large nuclear plant being built in Abu Dhabi.

## Strategic progress

### *Sharpen our focus*

Matchtech has long been seen as a specialist in some highly attractive engineering niches. We have now replicated this clarity in our technology recruitment business, Networkers, through careful market segmentation. We have identified what we believe to be attractive, high-growth markets within IT and telecoms, and we are building our presence and improving our performance in them.

Another exciting opportunity afforded by the Networkers acquisition is in the convergence between engineering and technology. This was part of our rationale behind the acquisition, and it is now coming to fruition. Our Engineering Technology department, created to exploit this convergence, was our fastest-growing business unit in FY17, with NFI up 19%. We believe our position within the 'convergence' market to be unique: no other recruitment firm of our size and geographical spread focuses purely on engineering and technology. This gives Gattaca a commanding competitive position as a recruitment firm which understands its engineering clients' traditional business models, but which can also source the recently emerging and nascent technology skill sets these customers now need. From factory automation to autonomous cars, we are identifying data scientists and AI developers for our traditional OEMs and supply chain clients. These clients often need a recruitment intermediary, such as Gattaca, to help them attract technology candidates who may not see such companies as cutting-edge employers in the digital age.

### *Move up the value chain*

Our Solutions business, relaunched during the year, is emblematic of our move up the value chain. Gattaca is increasingly securing agreements to provide services to clients which move beyond a basic recruitment offering. The Gattaca brand enables us to position ourselves not just as experts in finding niche talent, but as HR and consulting specialists that can help our clients improve how they conduct their business, not just how they recruit. We offer a wide range of consulting services, outsourced workforce solutions and - on a carefully controlled basis - delivery of outcome-based statements of work. These are based on collaborating with our clients to address their needs, support their success and improve the efficiency of their resourcing models. As an example, we have developed a respected expertise in first attracting, then engaging and retaining our own staff internally. We are now taking that experience and capability out to market, working with our clients to improve their employer brand and the value proposition they offer to potential and existing staff.

We have also made great progress in deepening our relationship with Gattaca's key clients. During the year, we invested in additional business development and account management resource. This contributed to an increase in the NFI generated by our major clients during the year, which will be annualised going forward. Additionally, we launched a key account development programme, working across our brands, service lines and regions. Our aim is to build deeper and stronger relationships with our major clients. This is showing early signs of success, with 11 targeted clients moving into our top 50 customers by value as a result of this initiative.

### *Think global*

We have restructured our businesses internationally, creating Regional Managing Director roles in the Americas and Asia which has led to greater focus and collaboration between the offices in our network. During the year we also installed new management in the MEA region. Such is the importance we place on our international expansion that both Regional Managing Directors report directly to the Group Chief Executive. We have rolled out the Matchtech brand in many countries and have enjoyed rapid success, in Asia in particular. We have segmented the technology businesses in recognition of the fact that our clients' most acute recruitment needs are in skills-short niche markets. We have identified the OSS/BSS and R&D functions of our long-standing telecoms clients as an opportunity for us to form an even stronger relationship with them.

Taking advantage of our international footprint, we are now positioned to work on many of our global clients' major regional recruitment projects. Last year we reported on the pan-European managed service programme (MSP) won with Unisys under which we supply all the company's contract staff requirements across Europe. As part of the fulfilment of this contract we established new operations in Spain and Germany during the year and these have now evolved to become sales operations in their own right. Whilst these are both at early stages of development, with low headcount and no major long-term cost commitment, they represent a continuation of the controlled international roll-out of our brands, further reducing our dependence on the UK market. On the back of the success of this agreement, Unisys awarded us additional work last year, in two recruitment process outsourcing (RPO) contracts to supply permanent staff.

We are diversifying and growing our international client base through our permanent recruitment service, which grew by 7% (constant currency) internationally year on year in 2017. Success in permanent recruitment is a proven entry strategy, leading to opportunities to provide contract recruitment services (and their associated recurring revenues) in markets where the contract opportunity is large, as in North America.

In the USA, we have now diversified from four major clients at the time of acquiring Networkers in April 2015, to more than 50, with plans for further substantial increases. While permanent NFI drove our growth in 2017, our focus on quality contract business is now also bearing fruit. We are continuing to grow our Dallas office. This base location will support the sales resource we recently added in the Austin area, taking advantage of its position as a tech hub and growing our presence in the Texas market. This arrangement mirrors the development of our UK business, where our Whiteley head office supports other operations around the country.

The macroeconomic trends in our international markets are positive and we are servicing major engineering projects around the globe.

### **Getting in shape**

We aim to attract and retain the best consultants, working towards replicating the high-engagement, high-productivity model originally developed by Matchtech in the UK, which has led to our long track record of high conversion ratios. To help achieve this in our international offices, we have taken more space, fitted out to a higher standard than is the norm for the recruitment industry and with a consistent branding and look across the network. To better support the development of our international businesses, we have also increased our Group Support headcount to facilitate our controlled growth overseas.

Since staff costs represent 80% of our overhead, we continue to flex headcount in line with market opportunity, adjusting our cost base in line with the economic situation. During 2017, we reduced UK headcount slightly while increasing staff numbers internationally. Notwithstanding the slight increase in our Group Support headcount during the year, to better support this future international growth, we continue to target improving the fee earner to non-fee earner split from 71:29 at July 2017 to towards 75:25 by July 2018.

We are continuing to invest in front-office and back-office systems as we equip ourselves to run a truly international business. We are making good progress on implementing one Finance and HR information system globally, and we have identified a new customer relationship management (CRM) system with plans to roll it out across the business. These are steady, considered investments and are part of our continuing programme of upgrading our capability.

During the year, we launched the Gattaca website, complementing the improved Matchtech and Networkers websites introduced in 2016. Our customers can now access the range of services we provide across the Group, including those of Gattaca Solutions. We are now able to advertise our internal staff requirements around the world, leading to a more consistent candidate experience and the development of Gattaca as an international employer brand. In combination with our social media activity, this effort is paying off, with Gattaca now one of the highest rated recruitment businesses on Glassdoor (the global employer review site) and with five star reviews of our employer brand on Facebook.



## **Outlook**

We will continue to position the Group to maximise growth opportunities both in the UK and internationally. We believe the investments we have made during the year, will deliver good returns in 2018 and beyond. We are now well placed strategically to take advantage of the increasing convergence between the engineering, IT and telecoms skill sets, and to grasp the opportunities presented by infrastructure investment commitments around the world, particularly those made by the UK and US Governments.

While we continue to monitor uncertainty in the wider economy, we will invest selectively in strengthening the business to support our medium and longer-term performance.

**Brian Wilkinson**  
**Chief Executive Officer**

## Chief Financial Officer's Report

### Performance

Revenue of £642.4m (2016: £617.6m) generated NFI of £74.7m (2016: £73.0m). We achieved contract NFI of £56.4m (2016: £53.9m) at a margin of 9.0% (2016: 9.0%), and permanent recruitment fees were £18.3m (2016: £19.1m). Gross margins were 11.6% (2016: 11.8%), the slight decline being due to the higher mix of contract NFI compared with last year (2017: 76%:24%, 2016: 74%:26% reported basis).

Profit from operations of £12.7m was down 16% (2016: £15.1m). Finance income was less than £0.1m (2016: £1.0m); the reduction was primarily due to significant Sterling exchange rate fluctuations in 2016, immediately after the EU referendum in June 2016, not being seen in 2017. Finance expenses were £1.2m (2016: £1.1m) driven by the comparative level of average debt each year. Combined, these led to a decrease in profit before tax of 24%, to £11.5m (2016: £15.1m).

On an underlying basis, excluding both £1.6m (2016: £2.4m) of non-recurring costs and £3.1m (2016: £3.7m) of amortisation of acquired intangibles and excluding discontinued operations from 2016 results, profit from operations was down 19% to £17.4m (2016: £21.4m). On the same basis, after deduction of £1.2m net finance costs (2016: £nil), adjusted profit before tax was £16.2m (2016: £20.4m).

Statutory profit after tax of £7.3m (2016 £9.9m) was down 26%.

Excluding amortisation of intangibles, non-recurring items and the impact of acquisitions and discontinued businesses, administrative expenses were £54.7m (2016: £50.8m). Of the £3.9m increase, £1.6m was due to the impact of currency translation on our international cost base, with weaker Sterling exchange rates seen in FY17 compared with the prior year. The remaining £2.3m of this additional spending represented a conscious decision by the Board to invest in our people and infrastructure, despite a difficult trading environment. Our international sales staff costs rose by £1.3m, as we invested heavily to capitalise on the opportunities we see globally. £0.6m related to our new and expanded London office - increasing our access to the London consultant and candidate pools - while we invested the remainder in client solutions, contractor support and HR capability.

During the year, we continued to invest in our systems, to reduce costs and operate on a truly global platform. We launched new accounting and HR systems and, over the next two years, we will be addressing other major areas, especially for the front and middle office.

### Conversion ratio

The ratio of profit from operations before amortisation of acquired intangibles and non-recurring costs to gross profit for the year was 23% (2016: 29%). Although this ratio is already very high compared with our peer group, over the long term, as our international operations become more established and we return to higher rates of UK NFI growth, we expect this ratio to improve.

### Taxation

The Group's effective tax rate increased from 34.2% to 36.1%, chiefly owing to overseas withholding taxes. These taxes are usually charged based on revenue (billings) rather than gross margin (billings less contractor costs). Consequently the local country tax charge may not be sufficient to allow an offset.

We recover withholding taxes which cannot be offset against local corporation tax, through higher gross margins charged to clients, to ensure the underlying overall transactions are commercially positive. While we are implementing certain structural changes to improve our offset ability, under our current operating model, the effective tax rate is likely to remain high due to withholding taxes.

Withholding tax which we were not able to offset against other taxes amounted to £2.0m in the year (2016: £1.1m).

The adjustments to the tax charge for previous periods, of £0.1m (2016: £nil), includes the impact of changing our accounting method for withholding tax from a cash to an accruals basis, which provides better matching of inflows and outflows.

The changes in UK tax rates of £(0.4)m (2016: £nil), reducing the tax charge, are a result of applying the reduced UK corporation tax rates from 1 April 2017 to our differed tax liabilities in the balance sheet.

The effective tax rate excluding adjustments in respect of prior periods is 39% (2016: 34.2%).

While we are implementing certain structural changes to improve our offset ability, under our current operating model, the effective tax rate is likely to remain high due to withholding taxes.

### **Synergies**

Of the £3.1m synergies from the Networkers International acquisition (made in April 2015) previously identified, £2.9m has now been crystallised, with a further £0.2m to be crystallised in 2018. In addition, we will be looking at further opportunities to improve efficiency, some of which will depend on the systems improvements noted above.

We have started the integration of the back-office functions of RSL, which we expect to complete in Q3 2018, yielding overall annual savings of around £0.5m.

### **Segmental reporting**

We have updated our segmental reporting to reflect the way we manage the business: UK Engineering; UK Technology; and International. Our Engineering and Technology business heads contribute to our international growth and management through a matrix structure.

### **Acquisition of RSL**

In February 2017, we announced that our wholly-owned subsidiary Matchtech Group (Holdings) Limited acquired 70% of RSL's issued share capital for £7.4m. The remaining 30% is subject to a put and call option, exercisable from 12 months after completion, for 5.0x trailing EBITA at that time. The maximum total consideration payable is £15.0m. All consideration is payable in cash, funded from the Group's existing resources.

This acquisition has increased our skill base in rail and broadened our client base in this area, especially in the UK regions.

### **Earnings per share**

Basic earnings per share was 23.4 pence (2016: 32.1 pence), and on a fully diluted basis, was 22.7 pence (2016: 31.0 pence). This was primarily due to lower profits after tax.

### **Dividends paid / proposed**

The Board is recommending, subject to shareholder approval, a final dividend for the year ended July 2017 of 17.0 pence per share, to be paid on 19 January 2018. The total dividend for the year is maintained at 23.0 pence per share.

### **Tangible and intangible assets**

Capital expenditure in the year, including tangible assets and software, was £1.5m (2016: £0.9m). Tangible assets at 31 July 2017 of £2.5m (2016: £1.1m), consist of the Group's motor fleet, office equipment, leasehold improvements and computer equipment. Of this amount, £1.0m relates to revised building dilapidation provisions (which increases both fixed assets and provisions within the balance sheet). Intangible assets (largely goodwill arising on acquisition) at 31 July 2017 were £51.8m (2016: £48.4m).

### **Net assets and shares in issue**

At 31 July 2017, the Group had net assets of £84.7m (2016: £81.6m) and had 31.8m fully paid ordinary shares in issue (2016: 31.2m).

### **Cash flow**

Cash generated from operations at £12.4m was £7.4m lower than the prior year (2016: £19.8m). Profit after tax adjusted for non-cash items was £4.0m lower than prior year.

Trade receivables increased by £3.8m. Debtor days of the combined Group at the year end were 55 days (31 July 2016: 50 days). Reasons for the increase include timing issues with a major client, which caused a half day increase in DSO. This is now resolved and not expected to recur. In addition, RSL has historically operated with a higher DSO than the rest of the business. The Gattaca payment terms will be the standard for new RSL clients and the integration of the Finance function will also aid improvement in that proportion of collections. We are also seeking improvements in our US business. DSO has improved since July 2017 and this area remains a key focus for the business.

Trade and other payables decreased by £1.2m as a result of lower accruals for commissions and bonuses and for contractor payments.

Uses of cash included the £11.2m acquisition (2016: £0.4m) of RSL (£7.4m initial consideration plus £3.8m of debt assumed), and £1.0m of capital expenditure (2016: £0.5m) relating to investment in systems and offices.

### **Net debt, banking facilities and interest rate risk**

Net debt at 31 July 2017 was £40.3m (2016: £25.0m), consisting a working capital facility of £25.7m (2016: £18.8m), bank term loan £20.4m (2016: £13.6m), less cash £5.8m (2016: £7.4m).

Our financing facilities include two covenants: Interest Cover and Adjusted Leverage. We are comfortable with our ability to service our debt and meet our covenants and we monitor projections for covenant ratios as part of our routine monthly reporting.

The Group has facilities with HSBC of £105m, consisting of a £75m working capital financing facility and a £30m bank term loan, both committed until October 2020.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loan and sales financing facility debt obligations. Bank interest is charged on a floating rate basis.

### **Support services**

To support the operational changes being made, we have begun a process to improve rigour and focus in our approach to project management, business reviews and management information, to provide better clarity and accountability. We are demanding more of ourselves in quality, relevance and timeliness of deliverables to central management and the business units, and we are focused on doing fewer things to a higher standard to improve execution of core initiatives.

During 2018, we intend to place more emphasis on forward-looking information and business support, as well as identifying opportunities for further streamlining, standardisation and consolidation of transactional support functions.

We will achieve some of the areas for improvement through better alignment of roles and responsibilities as well as culture, while other areas will require systems enhancements over the medium term.

### **Brexit**

The Board continues to follow developments on Brexit with interest. To a certain extent, a reduction in free movement of skilled labour would probably lead to an increase in the demand for Gattaca's services, as UK employers would find it more difficult to find the skill sets they require. However, where the skillsets are in extremely short supply, restrictions on free movement of skilled labour could affect our ability to source candidates. The effect of Brexit on business confidence is an important factor for us to the extent it affects the UK economic environment, as noted in the Principal Risks and Uncertainties report in the Annual Report.

### **Critical accounting policies**

The statement of significant accounting policies is set out in Note 1 to the Financial Statements.

## **Group financial risk management**

The Board reviews and agrees policies for managing financial risks. The Group's finance function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It seeks to ensure that adequate liquidity exists at all times, to meet its cash requirements.

The Group's financial instruments comprise borrowings, cash and various items, such as trade receivables and trade payables that arise from its operations, and some matching forward foreign exchange contracts. The Group does not trade in financial instruments. The main risks arising from the Group's financial instruments are described below.

### **Credit risk**

The Group trades only with recognised, creditworthy third parties. We monitor receivable balances on an ongoing basis, with the result that the Board feels the exposure to bad debt is not significant. There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 4% (2016: 4%) of total receivables balances at 31 July 2017.

### **Foreign currency risk**

The Group generates around 30% of its annualised NFI in overseas markets including overseas revenue generated from the UK. The Group does face risks to both its reported performance and cash position arising from the effects of exchange rate fluctuations.

The Group manages these risks by matching sales and direct costs in the same currency, entering into forward exchange contracts to minimise the gap in assets and liabilities denominated in foreign currencies, and regularly exchanging surplus foreign currency to minimise the gap in assets and liabilities denominated in foreign currency.

**Salar Farzad**  
**Chief Financial Officer**

**Consolidated Income Statement**  
**For the year ended 31 July 2017**

|  | Note | 2017<br>£'000 | 2016<br>£'000 |
|--|------|---------------|---------------|
| Revenue  |      | 642,365       | 617,604       |
| Cost of sales  |      | (567,657)     | (544,608)     |
| <b>GROSS PROFIT</b>  | 2    | <b>74,708</b> | 72,996        |
| Administrative expenses  |      | (62,004)      | (57,934)      |
| <b>PROFIT FROM OPERATIONS</b>  | 3    | <b>12,704</b> | 15,062        |
| Profit from operations before amortisation of acquired intangibles and non-recurring costs |      | 17,388        | 21,089        |
| Non-recurring costs included within administrative expenses                                | 3    | (1,610)       | (2,371)       |
| Amortisation of acquired intangibles   | 3    | (3,074)       | (3,656)       |
| Profit on disposal of subsidiary   |      | -             | 58            |
| Finance income   | 5    | 44            | 1,025         |
| Finance cost   | 6    | (1,240)       | (1,076)       |
| <b>PROFIT BEFORE TAX</b>   |      | <b>11,508</b> | 15,069        |
| Taxation   | 9    | (4,160)       | (5,152)       |
| <b>PROFIT FOR THE YEAR</b>   |      | <b>7,348</b>  | 9,917         |
| Attributable to:   |      |               |               |
| Equity holders of the parent   |      | 7,176         | 9,917         |
| Non-controlling interests  |      | 172           | -             |
|  |      | <b>7,348</b>  | 9,917         |

All of the activities of the Group are classed as continuing.

**EARNINGS PER ORDINARY SHARE**

|         | Note | 2017<br>pence | 2016<br>pence |
|---------|------|---------------|---------------|
| Basic   | 10   | 23.4          | 32.1          |
| Diluted | 10   | 22.7          | 31.0          |

**Statement of Comprehensive Income**  
**For the year ended 31 July 2017**

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| <b>PROFIT FOR THE YEAR</b>                                  | <b>7,348</b>  | 9,917         |
| <b>OTHER COMPREHENSIVE INCOME</b>                           |               |               |
| <b>Items that may be classified to profit or loss:</b>      |               |               |
| Exchange differences on retranslation of foreign operations | 218           | 835           |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>              | <b>218</b>    | 835           |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>              | <b>7,566</b>  | 10,752        |
| Attributable to:  |               |               |
| Equity holders of the parent                                | 7,394         | 10,752        |
| Non-controlling interests                                   | 172           | -             |
|   | <b>7,566</b>  | 10,752        |

The accompanying notes form part of these financial statements.

**Statement of Changes in Equity**  
**For the year ended 31 July 2017**

**A) Group**

|   | Share capital<br>£'000 | Share premium<br>£'000 | Merger reserve<br>£'000 | Share-based payment<br>reserve<br>£'000 | Translation of foreign<br>operations<br>£'000 | Retained earnings<br>£'000 | Non-controlling<br>interests<br>£'000 | Total<br>£'000 |
|---|------------------------|------------------------|-------------------------|---|---|----------------------------|---------------------------------------|----------------|
| <b>At 1 August 2015</b>                 | <b>309</b>             | <b>8,694</b>           | <b>28,750</b>           | <b>2,140</b>                            | <b>(20)</b>                                   | <b>36,648</b>              | <b>16</b>                             | <b>76,537</b>  |
| Profit for the year                     | –                      | –                      | –                       | –                                       | –   | 9,917                      | –                                     | 9,917          |
| Other comprehensive income              | –                      | –                      | –                       | –                                       | 835   | –                          | –                                     | 835            |
| Total comprehensive income              | –                      | –                      | –                       | –                                       | 835   | 9,917                      | –                                     | 10,752         |
| Dividends paid in the year              | –                      | –                      | –                       | –                                       | –   | (6,892)                    | –                                     | (6,892)        |
| Deferred tax movement re share options  | –                      | –                      | –                       | –                                       | –   | (185)                      | –                                     | (185)          |
| Acquisition of non-controlling interest | –                      | –                      | –                       | –                                       | –   | (124)                      | (16)                                  | (140)          |
| IFRS 2 charge                           | –                      | –                      | –                       | 1,537                                   | –   | –                          | –                                     | 1,537          |
| IFRS 2 reserves transfer                | –                      | –                      | –                       | (1,140)                                 | –   | 1,140                      | –                                     | –              |
| Shares issued                           | 3                      | 2                      | –                       | –                                       | –   | –                          | –                                     | 5              |
| Transactions with owners                | 3                      | 2                      | –                       | 397                                     | –   | (6,061)                    | (16)                                  | (5,675)        |
| <b>At 31 July 2016</b>                  | <b>312</b>             | <b>8,696</b>           | <b>28,750</b>           | <b>2,537</b>                            | <b>815</b>                                    | <b>40,504</b>              | <b>–</b>                              | <b>81,614</b>  |
| <b>At 1 August 2016</b>                 | <b>312</b>             | <b>8,696</b>           | <b>28,750</b>           | <b>2,537</b>                            | <b>815</b>                                    | <b>40,504</b>              | <b>–</b>                              | <b>81,614</b>  |
| Profit for the year                     | –                      | –                      | –                       | –                                       | –   | 7,176                      | 172                                   | 7,348          |
| Other comprehensive income              | –                      | –                      | –                       | –                                       | 218   | –                          | –                                     | 218            |
| Total comprehensive income              | –                      | –                      | –                       | –                                       | 218   | 7,176                      | 172                                   | 7,566          |
| Dividends paid in the year              | –                      | –                      | –                       | –                                       | –   | (7,195)                    | –                                     | (7,195)        |
| Deferred tax movement re share options  | –                      | –                      | –                       | –                                       | –   | (121)                      | –                                     | (121)          |
| Deferred consideration                  | –                      | –                      | –                       | –                                       | –   | –                          | 2,050                                 | 2,050          |
| IFRS 2 charge                           | –                      | –                      | –                       | 774                                     | –   | –                          | –                                     | 774            |
| IFRS 2 reserves transfer                | –                      | –                      | –                       | (1,896)                                 | –   | 1,896                      | –                                     | –              |
| Shares issued                           | 6                      | 8                      | –                       | –                                       | –   | –                          | –                                     | 14             |
| Transactions with owners                | 6                      | 8                      | –                       | (1,122)                                 | –   | (5,420)                    | 2,050                                 | (4,478)        |
| <b>At 31 July 2017</b>                  | <b>318</b>             | <b>8,704</b>           | <b>28,750</b>           | <b>1,415</b>                            | <b>1,033</b>                                  | <b>42,260</b>              | <b>2,222</b>                          | <b>84,702</b>  |

## B) Company

|  | Share capital<br>£'000 | Share premium<br>£'000 | Merger reserve<br>£'000 | Share-based<br>payment<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>£'000 |
|--|------------------------|------------------------|-------------------------|--|-------------------------------|----------------|
| <b>At 1 August 2015</b>                            | <b>309</b>             | <b>8,694</b>           | <b>28,526</b>           | <b>2,140</b>                               | <b>612</b>                    | <b>40,281</b>  |
| Profit and total comprehensive income for the year | –                      | –                      | –                       | –  | 7,298                         | 7,298          |
| Dividends paid in the year                         | –                      | –                      | –                       | –  | (6,892)                       | (6,892)        |
| IFRS 2 charge                                      | –                      | –                      | –                       | 1,537                                      | –                             | 1,537          |
| IFRS 2 reserves transfer                           | –                      | –                      | –                       | (1,140)                                    | 1,140                         | –              |
| Shares issued                                      | 3                      | 2                      | –                       | –  | –                             | 5              |
| Transactions with owners                           | 3                      | 2                      | –                       | 397  | (5,752)                       | (5,350)        |
| <b>At 31 July 2016</b>                             | <b>312</b>             | <b>8,696</b>           | <b>28,526</b>           | <b>2,537</b>                               | <b>2,158</b>                  | <b>42,229</b>  |
| <b>At 1 August 2016</b>                            | <b>312</b>             | <b>8,696</b>           | <b>28,526</b>           | <b>2,537</b>                               | <b>2,158</b>                  | <b>42,229</b>  |
| Profit and total comprehensive income for the year | –                      | –                      | –                       | –  | 6,278                         | 6,278          |
| Dividends paid in the year                         | –                      | –                      | –                       | –  | (7,195)                       | (7,195)        |
| IFRS 2 charge                                      | –                      | –                      | –                       | 774  | –                             | 774            |
| IFRS 2 reserves transfer                           | –                      | –                      | –                       | (1,896)                                    | 1,896                         | –              |
| Shares issued                                      | 6                      | 8                      | –                       | –  | –                             | 14             |
| Transactions with owners                           | 6                      | 8                      | –                       | (1,122)                                    | (5,299)                       | (6,407)        |
| <b>At 31 July 2017</b>                             | <b>318</b>             | <b>8,704</b>           | <b>28,526</b>           | <b>1,415</b>                               | <b>3,137</b>                  | <b>42,100</b>  |



**Statements of Financial Position**  
**For the year ended 31 July 2017**

|  | Note | Group           |                 | Company         |                 |
|--|------|-----------------|-----------------|-----------------|-----------------|
|  |      | 2017<br>£'000   | 2016<br>£'000   | 2017<br>£'000   | 2016<br>£'000   |
| <b>NON-CURRENT ASSETS</b>  |      |                 |                 |                 |                 |
| Intangible assets  | 12   | 51,802          | 48,371          | –               | –               |
| Property, plant and equipment                                    | 13   | 2,504           | 1,125           | –               | –               |
| Investments  | 14   | –               | –               | 7,987           | 7,213           |
| Deferred tax asset   | 15   | 773             | 969             | –               | –               |
| <b>Total Non-Current Assets</b>                                  |      | <b>55,079</b>   | <b>50,465</b>   | <b>7,987</b>    | <b>7,213</b>    |
| <b>CURRENT ASSETS</b>  |      |                 |                 |                 |                 |
| Trade and other receivables                                      | 16   | 114,997         | 100,811         | 86,608          | 80,335          |
| Cash and cash equivalents  |      | 5,802           | 7,442           | –               | –               |
| <b>Total Current Assets</b>                                      |      | <b>120,799</b>  | <b>108,253</b>  | <b>86,608</b>   | <b>80,335</b>   |
| <b>TOTAL ASSETS</b>  |      | <b>175,878</b>  | <b>158,718</b>  | <b>94,595</b>   | <b>87,548</b>   |
| <b>NON-CURRENT LIABILITIES</b>                                   |      |                 |                 |                 |                 |
| Deferred tax liability   | 15   | (3,914)         | (4,286)         | –               | –               |
| Provisions   | 17   | (1,596)         | (278)           | –               | –               |
| Bank loans and overdrafts  | 23   | (20,464)        | (13,608)        | (20,464)        | (13,608)        |
| <b>Total Non-Current Liabilities</b>                             |      | <b>(25,974)</b> | <b>(18,172)</b> | <b>(20,464)</b> | <b>(13,608)</b> |
| <b>CURRENT LIABILITIES</b>                                       |      |                 |                 |                 |                 |
| Trade and other payables   | 18   | (38,990)        | (37,861)        | (32,031)        | (31,711)        |
| Current tax liability  |      | (586)           | (2,224)         | –               | –               |
| Bank loans and overdrafts  | 23   | (25,626)        | (18,847)        | –               | –               |
| <b>Total Current Liabilities</b>                                 |      | <b>(65,202)</b> | <b>(58,932)</b> | <b>(32,031)</b> | <b>(31,711)</b> |
| <b>TOTAL LIABILITIES</b>   |      | <b>(91,176)</b> | <b>(77,104)</b> | <b>(52,495)</b> | <b>(45,319)</b> |
| <b>NET ASSETS</b>  |      | <b>84,702</b>   | <b>81,614</b>   | <b>42,100</b>   | <b>42,229</b>   |
| <b>EQUITY</b>  |      |                 |                 |                 |                 |
| Called-up equity share capital                                   | 21   | 318             | 312             | 318             | 312             |
| Share premium account  |      | 8,704           | 8,696           | 8,704           | 8,696           |
| Merger reserve   |      | 28,750          | 28,750          | 28,526          | 28,526          |
| Share based payment reserve                                      |      | 1,415           | 2,537           | 1,415           | 2,537           |
| Translation of foreign operations                                |      | 1,033           | 815             | –               | –               |
| Retained earnings  |      | 42,260          | 40,504          | 3,137           | 2,158           |
| <b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b> |      | <b>82,480</b>   | <b>81,614</b>   | <b>42,100</b>   | <b>42,229</b>   |
| Non-controlling interests  |      | 2,222           | –               | –               | –               |
| <b>TOTAL EQUITY</b>  |      | <b>84,702</b>   | <b>81,614</b>   | <b>42,100</b>   | <b>42,229</b>   |

These financial statements were approved by the Board of Directors on 9 November 2017, and signed on their behalf by:

Salar Farzad  
**Chief Financial Officer**

**Consolidated Cash flow Statement**  
**For the year ended 31 July 2017**

|  | Group           |                 | Company        |                 |
|--|-----------------|-----------------|----------------|-----------------|
|  | 2017<br>£'000   | 2016<br>£'000   | 2017<br>£'000  | 2016<br>£'000   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |                 |                 |                |                 |
| Profit after taxation                                    | 7,348           | 9,917           | 6,278          | 7,298           |
| Adjustments for:   |                 |                 |                |                 |
| Depreciation and amortisation                            | 3,970           | 4,776           | –              | –               |
| Profit on disposal of property, plant and equipment      | (9)             | (7)             | –              | –               |
| Interest income  | (44)            | (1,025)         | –              | –               |
| Interest expense   | 1,240           | 1,076           | –              | –               |
| Taxation expense recognised in profit and loss           | 4,160           | 5,152           | –              | –               |
| Increase in trade and other receivables                  | (3,774)         | (1,914)         | (6,273)        | (8,200)         |
| (Decrease)/increase in trade and other payables          | (1,221)         | 299             | 320            | 22,789          |
| Share-based payment charge                               | 774             | 1,537           | –              | –               |
| Investment income  | –               | –               | (7,200)        | (8,200)         |
| Cash generated from operations                           | 12,444          | 19,811          | (6,875)        | 13,687          |
| Interest paid  | (1,145)         | (1,186)         | –              | –               |
| Income taxes paid  | (6,034)         | (4,067)         | –              | –               |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                | <b>5,265</b>    | <b>14,558</b>   | <b>(6,875)</b> | <b>13,687</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |                 |                 |                |                 |
| Purchase of property, plant and equipment                | (1,027)         | (471)           | –              | –               |
| Purchase of intangible assets                            | (512)           | (462)           | –              | –               |
| Acquisitions net of cash received                        | (11,162)        | (390)           | –              | –               |
| Proceeds from sale of subsidiary                         | –               | 420             | –              | –               |
| Proceeds from sale of property, plant and equipment      | 76              | 53              | –              | –               |
| Dividends received                                       | –               | –               | 7,200          | 8,200           |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>             | <b>(12,625)</b> | <b>(850)</b>    | <b>7,200</b>   | <b>8,200</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |                 |                 |                |                 |
| Proceeds from issue of share capital                     | 14              | 5               | 14             | 5               |
| Drawdown of term loan                                    | 7,106           | –               | 7,106          | –               |
| Finance costs paid                                       | (250)           | –               | (250)          | –               |
| Repayment of term loan                                   | –               | (15,000)        | –              | (15,000)        |
| Dividends paid   | (7,195)         | (6,892)         | (7,195)        | (6,892)         |
| <b>NET CASH USED IN FINANCING</b>                        | <b>(325)</b>    | <b>(21,887)</b> | <b>(325)</b>   | <b>(21,887)</b> |
| Effects of exchange rates on cash and cash equivalents   | (695)           | 1,908           | –              | –               |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>         | <b>(8,380)</b>  | <b>(6,271)</b>  | <b>–</b>       | <b>–</b>        |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR           | (11,511)        | (5,240)         | –              | –               |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>          | <b>(19,891)</b> | <b>(11,511)</b> | <b>–</b>       | <b>–</b>        |
| <b>CASH AND CASH EQUIVALENTS</b>                         |                 |                 |                |                 |
| Cash   | 5,802           | 7,442           | –              | –               |
| Bank overdrafts  | –               | (14)            | –              | –               |
| Working capital facility used                            | (25,693)        | (18,939)        | –              | –               |
| <b>CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENTS</b> | <b>(19,891)</b> | <b>(11,511)</b> | <b>–</b>       | <b>–</b>        |

## Notes forming part of the financial statements

### 1 The Group and Company Significant Accounting Policies

#### *i The Business and Address of the Group*

Gattaca plc is a human capital resources business dealing with contract and permanent recruitment in the private and public sectors. The Company is incorporated in the United Kingdom. The Group's address is: Gattaca plc, 1450 Parkway, Whiteley, Fareham, Hampshire PO15 7AF.

#### *ii Basis of Preparation of the Financial Statements*

The Financial Statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union (EU) and which are effective at 31 July 2017.

These Financial Statements have been prepared under the historical cost convention. The accounting policies have been applied consistently throughout both the Group and the Company for the purposes of preparation of these Financial Statements. A summary of the principal accounting policies of the Group is set out below.

#### *iii Going Concern*

The Directors have reviewed forecasts and budgets for the coming year, which have been drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. These were prepared with reference to historical and current industry knowledge, taking future strategy of the Group into account.

As a result, at the time of approving the Financial Statements, the Directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements. As with all business forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

#### *iv New Standards and Interpretations*

These following amendments to existing standards is applicable for the period ending 31 July 2017:

| Standard |  | Effective date<br>(Annual periods beginning on or<br>after) |
|----------|--|---|
| IFRS 11  | Joint Arrangements                             | 1 January 2016  |
| IFRS 14  | Regulatory Deferral Accounts                   | 1 January 2016  |
| IAS 27   | Equity method in Separate Financial Statements | 1 January 2016  |

The adoption of the above standards has had no material impact on the financial statements.

#### **New Standards in Issue, Not Yet Effective**

The following relevant standards and interpretations, which are new and yet to become mandatory, have not been applied in the Group financial statements:

| Standard          |                                  | Effective date<br>(Annual periods beginning on or<br>after) |
|-------------------|----------------------------------|---|
| IAS 12            | Deferred Tax                     | 1 January 2017  |
| IFRS 9            | Fair Values                      | 1 January 2018  |
| IFRS 15           | Revenue                          | 1 January 2018  |
| IFRS 2            | Share-based Payment Transactions | 1 January 2018  |
| IFRS 16           | Leases                           | 1 January 2019  |
| IFRS improvements | Various                          | Various   |

The Board needs to assess the impact of the above new standards, however, based on the Group's current business model and accounting policies.

The Group does not intend to apply any of these pronouncements early.

#### *v Basis of Consolidation*

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the Statement of Financial Position date. Subsidiaries are entities over which the Group has power to control the financial and operating policies so as to obtain benefits from their activities. The Group obtains and exercises control through voting rights.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Group Statement of Financial Position at their fair values, which are also used as the bases for subsequent measurement in accordance with Group accounting policies.

Transactions between Group companies are eliminated on consolidation.

#### **vi Revenue**

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT and trade discounts. Revenue on temporary placements is recognised upon receipt of a client approved timesheet or equivalent. Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment, at which point it is probable that the economic benefits associated with the transaction will be transferred. Fees for the provision of engineering services are recognised on completion of work performed in accordance with customer contracts. Other fees are recognised on confirmation from the client committing to the agreement.

#### **vii Non-recurring Items**

Non-recurring items are items that are unusual because of their size, nature or incidence and are presented within the consolidated income statement but highlighted through separate disclosure. The Group's Directors consider that these items should be separately identified within the income statement to enable a true and fair understanding of the Group's results.

Items which are included within this category include:

- costs of acquisitions;
- integration costs following acquisitions;
- significant restructuring costs;
- other particularly significant or unusual items.

#### **viii Property, Plant and Equipment**

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset in terms of annual depreciation as follows:

|                                  |                                   |                  |
|----------------------------------|-----------------------------------|------------------|
| Motor vehicles                   | 25.0%                             | Reducing balance |
| Fixtures, Fittings and equipment | 12.5% to 33.0%                    | Straight line    |
| Leasehold Improvements           | Over the period of the lease term | Straight line    |

#### **ix Intangible Assets**

##### **Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the fair value of the consideration given for a business over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is stated at cost less accumulated impairment.

Goodwill is allocated to cash-generating units (CGUs) and is not amortised, but is tested at least annually for impairment. For the purpose of impairment testing, goodwill acquired in a business acquisition is allocated to each of the cash generating units, or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Expenditure on internally generated goodwill, brands and intangibles is expensed in the Income Statement when incurred.

##### **Customer relationships**

Acquired customer relationships comprise principally of existing customer relationships which may give rise to future orders (customer relationships), and existing order books (backlog orders). Acquired customer relationships are

recognised at fair value at the acquisition date and have a finite useful life. Amortisation of customer relationships is amortised in line with the expected cashflows. Acquired customer relationships are stated at cost less accumulated amortisation and impairment. Backlog orders are recognised at fair value at the acquisition date and amortised in line with the expected cash flows. Backlog orders are stated at cost less accumulated amortisation and impairment.

#### **Trade names and trademarks**

Trade names and trademarks have arisen on the consolidation of acquired businesses and are recognised at fair value at the acquisition date. Where trade names and trademarks are considered to have a finite useful life, amortisation is calculated using the straight line method to allocate the cost of trade names and trademarks over their estimated useful lives. Where trade names and trademarks are considered to have an indefinite useful life, they are not subject to amortisation; they are tested annually for impairment and when there are indications that the carrying value may not be recoverable, detailed within the impairment of non-financial assets section below. Trade names and trademarks are stated at cost less accumulated amortisation and impairment.

#### **Other**

Other intangible assets acquired by the Group that have a finite life useful life are measured at cost less accumulated amortisation and accumulated losses.

Amortisation of intangible assets is recognised in the income statement under administrative expenses. Provision is made against the carrying value of intangible assets where an impairment in value is deemed to have occurred. Impairment losses are recognised in the Income Statement under administrative expenses.

#### **Software Licences**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight line method to allocate the cost of the software licences over their useful lives of between two and five years. Software licences are stated at cost less accumulated amortisation.

#### ***x Disposal of Assets***

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Income Statement.

#### ***xi Operating Lease Agreements***

Rentals applicable to operating leases are charged against profits on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

#### ***xii Taxation***

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as share-based payments) in which case the related deferred tax is also charged or credited directly to equity.

#### ***xiii Pension Costs***

The Company operates defined contribution pension schemes for employees. The assets of these schemes are held separately from those of the Company. The annual contributions payable are charged to the Income Statement as they accrue.

#### ***xiv Share-based Payments***

The transitional arrangements of IFRS 1 have been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 August 2006. All share-based remuneration is ultimately recognised as an expense in the Income Statement with a corresponding credit to "share-based payment reserve". All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of employee services are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options, proceeds received net of attributable transaction costs are credited to share capital and share premium.

The Company is the granting and settling entity in the group share-based payment arrangement where share options are granted to employees of its subsidiary companies. The Company recognises the share-based payment expense as an increase in the investment in subsidiary undertakings.

The Group operates a Share Incentive Plan (SIP) which is HMRC approved, and enables employees to purchase Company shares out of pre-tax salary. For each share purchased the Company grants an additional share at no cost to the employee. The expense in relation to these 'free' shares is recorded as employee remuneration and measured at fair value of the shares issued as at the date of grant.

#### ***xv Business Combinations Completed Prior to Date of Transition to IFRS***

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 August 2006. Accordingly the classification of the combination (merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised as at the date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax is adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

#### ***xvi Financial Assets***

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs.

In the Company financial statements, investment in the subsidiary Company is measured at cost, and provision made where an impairment value is deemed to have occurred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Income Statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

A financial asset is derecognised only where the contractual rights to cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Trade receivables subject to the invoice discounting facility are recognised in the Statement of Financial Position until they are settled by the customer.

#### ***xvii Financial Liabilities***

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument and comprise trade and other payables and bank loans. Financial liabilities are recorded initially at fair value, net of direct issue costs and are subsequently measured at amortised cost using the effective interest rate method.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

### ***xviii Financial instruments***

Financial instruments often consist of a combination of debt and equity and the Group has to decide how to attribute values to each. They are treated as equity only to the extent that they meet the following two conditions:

- (i) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (ii) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability, and where such an instrument takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance costs. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity

The Group uses financial instruments, in particular forward currency contracts to manage the financial risks associated with the Group's underlying business activities. The forward exchange contracts are used to hedge foreign currency exposures arising on forecast receipts and payments in foreign currencies. These forward contracts are revalued to the rates of exchange at the Statement of Financial Position date and any aggregate unrealised gains and losses arising on revaluation are included in other debtors or creditors. At maturity, or when the contract ceases to be a hedge, gains and losses are taken to the Income Statement. The Group does not undertake any trading activity in financial instruments.

### **Fair value hierarchy**

The Group analyses financial instruments carried at a fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. directly from prices); and
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

### ***xix Cash and Cash Equivalents***

Cash and cash equivalents comprise cash on hand, on demand deposits, and bank overdrafts.

### ***xx Dividends***

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in the annual general meeting prior to the balance sheet date.

### ***xxi Foreign Currencies***

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the Statement of Financial Position date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to "Translation of foreign operations" in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the Income Statement as part of the gain or loss on disposal.

As permitted by IFRS 1, the balance on the cumulative translation adjustment on retranslation of subsidiaries' net assets has been set to zero at the date of transition to IFRS.

## ***xxii Equity***

Equity comprises the following:

“Share capital” represents the nominal value of equity shares.

“Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

“Share based payment reserve” represents equity-settled share-based employee remuneration until such share options are exercised.

“Merger reserve” represents the equity balance arising on the merger of Matchtech Engineering and Matchmaker Personnel and to record the excess fair value above the nominal value of the consideration on the acquisition of Networkers International plc

“Translation of foreign operations” represents the foreign currency differences arising on translating foreign operations into the presentational currency of the Group.

“Retained earnings” represents retained profits.

## ***xxiii Alternative Performance Measures***

Alternative performance measures used within the Group’s Annual Report are explained within Note 25 to the Financial Statements.

## ***xxiv Significant Accounting Estimates and Judgments***

Estimates and assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group’s accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **Critical Judgments**

The judgments made which, in the opinion of the Directors, are critical in drawing up the financial statements are as follows:

## **Key Sources of Estimation Uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date are discussed below. These are included for completeness, although it is the Directors’ view that none of these have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## **Impairment Loss of Trade and Other Receivables**

The Group’s policy for doubtful receivables is based on the on-going evaluation of the collectability and ageing analysis of the trade and other receivables and on management’s judgments. Considerable judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group’s receivables were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required. The carrying amounts of these assets are shown in note 16.

## **Intangibles**

The Group determines whether goodwill and other intangible assets (including acquired intangibles) are impaired on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimation of the recoverable amount of the cash generating unit to which the assets are allocated. Consideration is given to the future cash flows of each cash generating unit and the discount rate applied to calculate the present value of those cash flows.



## 2 Segmental information

The chief operating decision maker, as defined in IFRS 8, has been identified as the Board of Directors of Gattaca plc. The information reported below is consistent with the reports regularly provided to the Board of Directors.

### Reportable segments

For the year to 31 July 2016, the Group was reported in two main segments: Engineering and Technology. From 1 August 2016 the reporting structure of the Group was changed to three main reporting segments, Engineering, Technology and International.

The International reporting segment includes all overseas offices which were previously reported within the Engineering and Technology segments. A reconciliation between the new and previous segmental reporting is included below.

### 2017

| All amounts in £'000          | UK<br>Engineering | UK<br>Technology | International | Underlying | Non-<br>recurring<br>items and<br>amortisation<br>of acquired<br>intangibles | Group<br>Total  |
|-------------------------------|-------------------|------------------|---------------|------------|--|-----------------|
| Revenue                       | 420,782           | 158,374          | 63,209        | 642,365    | –  | <b>642,365</b>  |
| Gross profit                  | 43,080            | 16,178           | 15,450        | 74,708     | –  | <b>74,708</b>   |
| Operating contribution        | 23,758            | 7,061            | 5,619         | 36,438     | –  | <b>36,438</b>   |
| Central overheads             | (10,579)          | (4,525)          | (3,946)       | (19,050)   | (4,684)  | <b>(23,734)</b> |
| Profit/(loss) from operations | 13,179            | 2,536            | 1,673         | 17,388     | (4,684)  | <b>12,704</b>   |
| Finance cost, net             |                   |                  |               |            |  | <b>(1,196)</b>  |
| <b>Profit before tax</b>      |                   |                  |               |            |  | <b>11,508</b>   |
| Depreciation and amortisation | 588               | 220              | 88            | 896        | 3,074  | <b>3,970</b>    |
| Segment net assets            | 72,696            | 27,361           | 10,920        | 110,977    |  | <b>110,977</b>  |
| Unallocated net liabilities   |                   |                  |               |            |  | <b>(26,275)</b> |
| <b>Total net assets</b>       |                   |                  |               |            |  | <b>84,702</b>   |

### 2016

| All amounts in £'000             | UK<br>Engineering | UK<br>Technology | International | Underlying | Divested<br>businesses | Non-<br>recurring<br>items and<br>amortisation<br>of acquired<br>intangibles | Group<br>Total  |
|----------------------------------|-------------------|------------------|---------------|------------|------------------------|--|-----------------|
| Revenue                          | 389,584           | 169,104          | 58,144        | 616,832    | 772                    | –  | <b>617,604</b>  |
| Gross profit                     | 40,865            | 17,413           | 14,109        | 72,387     | 609                    | –  | <b>72,996</b>   |
| Operating contribution           | 23,126            | 8,229            | 6,868         | 38,223     | (46)                   | –  | <b>38,177</b>   |
| Central overheads                | (8,145)           | (4,242)          | (4,339)       | (16,726)   | (362)                  | (6,027)  | <b>(23,115)</b> |
| Profit/(loss) from operations    | 14,981            | 3,987            | 2,529         | 21,497     | (408)                  | (6,027)  | <b>15,062</b>   |
| Profit on disposal of subsidiary |                   |                  |               |            |                        | 58   | <b>58</b>       |
| Finance cost, net                |                   |                  |               |            |                        |  | <b>(51)</b>     |
| <b>Profit before tax</b>         |                   |                  |               |            |                        |  | <b>15,069</b>   |
| Depreciation and amortisation    | 632               | 270              | 218           | 1,120      |                        | 3,656  | <b>4,776</b>    |
| Segment net assets               | 55,412            | 23,612           | 19,132        | 98,156     |                        |  | <b>98,156</b>   |
| Unallocated net liabilities      |                   |                  |               |            |                        |  | <b>(16,542)</b> |
| <b>Total net assets</b>          |                   |                  |               |            |                        |  | <b>81,614</b>   |

A segmental analysis of total assets has not been included as this information is not available to the Board; the majority of assets are centrally held and are not allocated across the reportable segments. Only trade receivables are reported by segment and as such they are included as segment assets above. Unallocated net liabilities include non-current assets, other receivables, cash and cash equivalents and current liabilities.

## Changes to segment reporting from 2016 audited Financial Statements

For the year to 31 July 2016, the segment reporting was presented in two segments: Engineering and Technology. The analysis below reconciles the change in reporting.

| All amounts in £'000          | Engineering |               |         | Technology |               |                | Total International |
|-------------------------------|-------------|---------------|---------|------------|---------------|----------------|---------------------|
|                               | UK          | International | Total   | UK         | International | Total          |                     |
| Revenue                       | 389,584     | 8,153         | 397,737 | 169,104    | 49,991        | <b>219,095</b> | <b>58,144</b>       |
| Gross profit                  | 40,865      | 2,643         | 43,508  | 17,413     | 11,466        | <b>28,879</b>  | <b>14,109</b>       |
| Operating Contribution        | 23,126      | 730           | 23,856  | 8,229      | 6,138         | <b>14,367</b>  | <b>6,868</b>        |
| Central overheads             | (8,145)     | (1,742)       | (9,887) | (4,242)    | (2,597)       | <b>(6,839)</b> | <b>(4,339)</b>      |
| Profit/(loss) from operations | 14,981      | (1,012)       | 13,969  | 3,987      | 3,541         | <b>7,528</b>   | <b>2,529</b>        |

### Geographical Information

| All amounts in £'000   | Revenue        |         | Non-current assets |        |
|------------------------|----------------|---------|--------------------|--------|
|                        | 2017           | 2016    | 2017               | 2016   |
| UK                     | <b>579,156</b> | 558,688 | <b>54,659</b>      | 49,940 |
| Rest of Europe         | <b>773</b>     | 1,241   | –                  | –      |
| Middle East and Africa | <b>22,378</b>  | 21,352  | <b>204</b>         | 227    |
| Americas               | <b>21,150</b>  | 21,126  | <b>194</b>         | 138    |
| Asia Pacific           | <b>18,908</b>  | 15,197  | <b>22</b>          | 160    |
|                        | <b>642,365</b> | 617,604 | <b>55,079</b>      | 50,465 |

Revenue and non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary.

### Largest Customers

No single client contributed more than 10% of the Group's revenues (2016: none).

### 3 Profit from Operations

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Profit from operations is stated after charging/(crediting):                |               |               |
| Depreciation  | <b>609</b>    | 835           |
| Amortisation of acquired intangibles  | <b>3,074</b>  | 3,656         |
| Amortisation of software licences   | <b>287</b>    | 285           |
| Profit on disposal of property, plant and equipment                         | <b>(9)</b>    | (7)           |
| Auditors' remuneration  |               |               |
| – fees payable for the audit of the Parent Company Financial Statements     | <b>10</b>     | 10            |
| – fees payable for the audit of the Subsidiary Company Financial Statements | <b>263</b>    | 238           |
| Total   | <b>273</b>    | 248           |
| Non-audit services:   |               |               |
| – taxation  | <b>159</b>    | 45            |
| – Other services pursuant to legislation                                    | <b>6</b>      | –             |
| Total   | <b>165</b>    | 45            |
| Operating lease costs:  |               |               |
| – Plant and machinery   | <b>424</b>    | 312           |
| – Land and buildings  | <b>2,297</b>  | 1,610         |
| Share based payment charge  | <b>774</b>    | 1,537         |
| Net gain on foreign currency translation                                    | <b>(36)</b>   | (1,025)       |
| Acquisition costs   | <b>174</b>    | –             |
| Restructuring costs   | <b>1,436</b>  | 2,371         |

#### 4 Particulars of Employees

The average number of staff employed (including Directors) by the Group during the financial year amounted to:

|                | 2017<br>No. | 2016<br>No. |
|----------------|-------------|-------------|
| Sales          | 628         | 558         |
| Administration | 238         | 171         |
| Directors      | 10          | 11          |
| <b>Total</b>   | <b>876</b>  | <b>740</b>  |

The aggregate payroll costs of the above were:

|                       | 2017<br>£'000 | 2016<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 35,975        | 32,578        |
| Social security costs | 3,957         | 3,262         |
| Other pension costs   | 1,484         | 1,255         |
| <b>Total</b>          | <b>41,416</b> | <b>37,095</b> |

Disclosure of the remuneration of key management personnel, as required by IAS 24, is detailed below. Disclosure of the remuneration of the statutory Directors is further detailed in the Directors' Remuneration Report contained in the Annual Report and Accounts.

|                              | 2017<br>£'000 | 2016<br>£'000 |
|------------------------------|---------------|---------------|
| Short-term employee benefits | 2,016         | 2,319         |
| Post employment benefits     | 128           | 113           |
| Share based payments         | 287           | 600           |
| <b>Total</b>                 | <b>2,431</b>  | <b>3,032</b>  |

#### 5 Finance Income

|                                       | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------------------|---------------|---------------|
| Interest receivable                   | 8             | –             |
| Foreign currency exchange differences | 36            | 1,025         |
| <b>Total</b>                          | <b>44</b>     | <b>1,025</b>  |

#### 6 Finance Cost

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Bank interest payable                     | 1,154         | 977           |
| Amortisation of capitalised finance costs | 86            | 99            |
| <b>Total</b>                              | <b>1,240</b>  | <b>1,076</b>  |

#### 7 Dividends

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Equity dividends paid during the year at 23.00 pence per share (2016: 20.32 pence)  | 7,195         | 6,892         |
| Equity dividends proposed after the year end (not recognised as a liability) at 17.00 pence per share (2016: 17.00 pence) | 5,406         | 5,298         |

A dividend will be declared from Matchtech Group (Holdings) Limited prior to the payment of the proposed dividend above.

#### 8 Parent Company Profit

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| The amount of profit dealt within the accounts of the Company is | 6,278         | 7,298         |

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present the parent Company's Income Statement.

## 9 Taxation

|                                 | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------------|---------------|---------------|
| Current tax: UK corporation tax | 1,808         | 3,606         |
| Overseas corporation tax        | 3,063         | 2,153         |
| Prior year over provision       | 236           | (9)           |
|                                 | 5,107         | 5,750         |
| Deferred tax (note 15)          | (947)         | (598)         |
| <b>Income tax expense</b>       | <b>4,160</b>  | <b>5,152</b>  |

UK corporation tax has been charged at 19.7% (2016: 20.0%).

The charge for the year can be reconciled to the profit as per the income statement as follows:

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Profit before tax   | 11,508        | 15,069        |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 19.7% (2016: 20.0%) | 2,267         | 3,014         |
| Expenses not deductible for tax purposes  | 103           | 610           |
| Effect of share-based payments  | (190)         | –             |
| Irrecoverable withholding tax   | 1,976         | 1,137         |
| Overseas losses not provided for  | 57            | –             |
| Difference between UK and overseas tax rates  | 271           | 400           |
| Total tax charge excluding adjustments in respect of prior periods                                    | 4,484         | 5,161         |
| Adjustments in respect of previous periods  | 100           | (9)           |
| Changes in UK tax rates   | (424)         | –             |
| <b>Total tax charge for period</b>  | <b>4,160</b>  | <b>5,152</b>  |

Tax charge recognised directly in equity:

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| Deferred tax recognised directly in equity     | (121)         | (185)         |
| <b>Total tax recognised directly in equity</b> | <b>(121)</b>  | <b>(185)</b>  |

### Future tax rate changes

The UK corporation tax rate of 20% reduced to 19% from 1 April 2017, and will reduce to 17% from 1 April 2020 and this has been reflected in the Consolidated Financial Statements.

As these changes of rates have been enacted at the balance sheet date, the impact of these reductions has been reflected in the deferred tax liability at 31 July 2017.

## 10 Earnings Per Share

Earnings per share has been calculated by dividing the consolidated profit after taxation attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share has been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (arising from the Group's share option schemes) into ordinary shares has been added to the denominator. There are no changes to the profit (numerator) as a result of the dilutive calculation.

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| Profit after tax attributable to ordinary shareholders | 7,348         | 9,917         |
|  | 2017<br>'000s | 2016<br>'000s |
| Weighted average number of ordinary shares in issue    | 31,453        | 30,887        |
| Effect of dilutive potential ordinary shares           | 939           | 1,153         |
| <b>Total</b>   | <b>32,392</b> | <b>32,040</b> |

|                     | 2017<br>pence | 2016<br>pence |
|---------------------|---------------|---------------|
| Earnings per share: |               |               |
| Basic               | 23.4          | 32.1          |
| Diluted             | 22.7          | 31.0          |

## 11 Acquisition

The Group completed the acquisition of 70% of the ordinary share capital of Resourcing Solutions Limited on 2 February 2017. Consideration of £7.4m was paid in cash. The remaining 30% of the ordinary share capital is subject to a put and call option exercisable from 12 months after the date of acquisition. Consideration for the remaining ordinary share capital is calculated as 5x EBITA for the preceding 12-month period.

Resourcing Solutions Limited is a recruitment business which supplies skilled staff on a permanent or temporary basis, primarily in the rail sector.

The acquisition had the following effect on the Group's assets and liabilities:

|                                    | Acquiree's net assets at<br>acquisition date<br>£'000 | Fair value<br>adjustments<br>£'000 | Fair Value<br>£'000 |
|------------------------------------|---|------------------------------------|---------------------|
| Net tangible assets acquired:      |   |                                    |                     |
| Intangible assets                  | –   | 3,635                              | 3,635               |
| Fixed assets                       | 93  |                                    | 93                  |
| Trade and other receivables        | 10,442  |                                    | 10,442              |
| Corporation tax                    | (274)   |                                    | (274)               |
| Deferred tax liability             | –   | (655)                              | (655)               |
| Cash                               | 17  |                                    | 17                  |
| Borrowings                         | (3,784)   |                                    | (3,784)             |
| Trade and other payables           | (2,674)   |                                    | (2,674)             |
| <b>Total</b>                       | <b>3,820</b>  | <b>2,980</b>                       | <b>6,800</b>        |
| Goodwill                           |   |                                    | 2,645               |
| Total consideration                |   |                                    | 9,445               |
| <b>Analysis of consideration:</b>  |   |                                    |                     |
| Cash Paid                          |   |                                    | 7,395               |
| Non-controlling interest           |   |                                    | 2,050               |
|                                    |   |                                    | <b>9,445</b>        |
| <b>Analysis of net cash flows:</b> |   |                                    |                     |
| Cash consideration paid            |   |                                    | 7,395               |
| Cash and cash equivalents acquired |   |                                    | (17)                |
| Bank loans and overdrafts acquired |   |                                    | 3,784               |
| <b>Net cash outflow</b>            |   |                                    | <b>11,162</b>       |

Intangible assets have been identified relating to the candidate database, customer relationships and trademarks; all intangible assets have been recognised at fair value. Goodwill represents expected synergies from combining operations of the acquiree and acquirer, the employees of Resourcing Solutions Limited and intangibles that do not qualify for separate recognition.

Fair value adjustments have been made to reflect the identified intangible assets arising on acquisition and the deferred tax liability on those assets.

Amortisation of intangible assets is on a straight line basis over their useful economic lives, determined as follows:

|                        |          |
|------------------------|----------|
| Customer relationships | 10 years |
| Trade Names            | 10 years |
| Candidate databases    | 5 years  |

The Group incurred acquisition costs of £174,000 for external legal fees, stamp duty and due diligence. These costs have been recognised in administrative expenses in the Group's Consolidated Income Statement.

In the period between the acquisition and 31 July 2017 the Group benefited from £21,968,000 of revenue from Resourcing Solutions Limited, gross profit of £3,378,000 and profit after amortisation of intangibles of £478,000. If the acquisition had occurred on 1 August 2016 the combined Group results would have been: revenue £667,237,000,

gross profit £78,548,000 and profit from operations after amortisation £13,341,000. The amortisation of intangibles would have been £3,312,000.

## 12 Intangible Assets

| Group                 |                        | Goodwill<br>£'000 | Customer<br>relationships<br>£'000 | Trade<br>names<br>£'000 | Other<br>£'000 | Softwar<br>e<br>licences<br>£'000 | Total<br>£'000 |
|-----------------------|------------------------|-------------------|------------------------------------|-------------------------|----------------|-----------------------------------|----------------|
| <b>COST</b>           | At 1 August 2015       | 26,451            | 20,152                             | 4,907                   | 2,436          | 1,769                             | 55,715         |
|                       | Additions              | 23                | –                                  | –                       | 250            | 189                               | 462            |
|                       | Disposals              | (380)             | –                                  | –                       | –              | –                                 | (380)          |
|                       | At 1 August 2016       | 26,094            | 20,152                             | 4,907                   | 2,686          | 1,958                             | 55,797         |
|                       | Additions              | –                 | –                                  | –                       | –              | 512                               | 512            |
|                       | Disposals              | –                 | –                                  | –                       | –              | –                                 | –              |
|                       | Acquisitions           | 2,645             | 2,093                              | 419                     | 1,123          | –                                 | 6,280          |
|                       | <b>At 31 July 2017</b> | <b>28,739</b>     | <b>22,245</b>                      | <b>5,326</b>            | <b>3,809</b>   | <b>2,470</b>                      | <b>62,589</b>  |
| <b>AMORTISATION</b>   | At 1 August 2015       | –                 | 1,399                              | 526                     | 734            | 826                               | 3,485          |
|                       | Charge for the year    | –                 | 2,097                              | 915                     | 644            | 285                               | 3,941          |
|                       | At 31 July 2016        | –                 | 3,496                              | 1,441                   | 1,378          | 1,111                             | 7,426          |
|                       | Charge for the year    | –                 | 2,145                              | 423                     | 506            | 287                               | 3,361          |
|                       | <b>At 31 July 2017</b> | <b>–</b>          | <b>5,641</b>                       | <b>1,864</b>            | <b>1,884</b>   | <b>1,398</b>                      | <b>10,787</b>  |
| <b>NET BOOK VALUE</b> | At 31 July 2016        | 26,094            | 16,656                             | 3,466                   | 1,308          | 847                               | 48,371         |
|                       | <b>At 31 July 2017</b> | <b>28,739</b>     | <b>16,604</b>                      | <b>3,462</b>            | <b>1,925</b>   | <b>1,072</b>                      | <b>51,802</b>  |

Goodwill arising on business combinations is reviewed and tested on an annual basis or more frequently if there is indication that goodwill might be impaired. Goodwill has been tested for impairment by comparing the carrying amount of each cash-generating unit (CGU), including goodwill, with the recoverable amount.

Goodwill is allocated to CGUs, which are determined as the reportable segments, as follows:

|                              | 2017<br>£'000 | 2016<br>£'000 |
|------------------------------|---------------|---------------|
| Professional Services        | 1,643         | 1,643         |
| Engineering                  | 4,379         | 4,379         |
| Technology                   | 20,072        | 20,072        |
| Resourcing Solutions Limited | 2,645         | –             |
|                              | <b>28,739</b> | 26,094        |

The recoverable amounts of the CGUs are determined from value-in-use calculations, the key assumptions for the value-in-use calculations are as follows:

|                        |   |
|------------------------|---|
| Profit from operations | Profit from operations is based on the latest annual forecast approved by the Group's Board of Directors which was prepared using expectations of revenue and operating cost growth |
| Discount rates         | The pre-tax rate used to discount the forecast cash flows was 15.4% (2016: 15.4%) reflecting the Group's weighted average cost of capital.  |
| Growth rates           | The long-term growth rates are based on management forecasts which are consistent with external sources at an average growth rate of 2.5% (2016: 2.5%)                              |

Impairment reviews are performed at the year end by comparing the carrying value of goodwill with the recoverable amount of the CGUs to which goodwill has been allocated.

The impairment review determined that there has been no impairment to any of the CGUs. Sensitivity analysis has been performed in assessing recoverable amounts of goodwill by changing key assumptions in growth and discount rates. The sensitivity analysis shows no impairment would arise under each scenario for any of the CGUs.

Amortisation is charged through administrative expenses in the Income Statement.

## 13 Property, Plant and Equipment

| Group                 |                        | Motor vehicles<br>£'000 | Leasehold improvements<br>£'000 | Fixtures fittings & equipment<br>£'000 | Total<br>£'000 |
|-----------------------|------------------------|-------------------------|---------------------------------|--|----------------|
| <b>COST</b>           | At 1 August 2015       | 940                     | 1,268                           | 3,490                                  | 5,698          |
|                       | Additions              | –                       | 58                              | 413                                    | 471            |
|                       | Disposals              | (211)                   | –                               | (248)                                  | (459)          |
|                       | At 1 August 2016       | 729                     | 1,326                           | 3,655                                  | 5,710          |
|                       | Additions              | –                       | 1,559                           | 422                                    | 1,981          |
|                       | Acquisitions           | –                       | –                               | 93                                     | 93             |
|                       | Disposals              | (381)                   | –                               | (20)                                   | (401)          |
|                       | <b>At 31 July 2017</b> | <b>348</b>              | <b>2,885</b>                    | <b>4,150</b>                           | <b>7,383</b>   |
| <b>DEPRECIATION</b>   | At 1 August 2015       | 666                     | 532                             | 2,965                                  | 4,163          |
|                       | Charge for the year    | 67                      | 340                             | 428                                    | 835            |
|                       | Released on disposal   | (182)                   | –                               | (231)                                  | (413)          |
|                       | At 31 July 2016        | 551                     | 872                             | 3,162                                  | 4,585          |
|                       | Charge for the year    | 39                      | 198                             | 372                                    | 609            |
|                       | Released on disposal   | (315)                   | –                               | –                                      | (315)          |
|                       | <b>At 31 July 2017</b> | <b>275</b>              | <b>1,070</b>                    | <b>3,534</b>                           | <b>4,879</b>   |
| <b>NET BOOK VALUE</b> | At 31 July 2016        | 178                     | 454                             | 493                                    | 1,125          |
|                       | <b>At 31 July 2017</b> | <b>73</b>               | <b>1,815</b>                    | <b>616</b>                             | <b>2,504</b>   |

Included within Leasehold Improvements is a cost of £1,168,000 (2016: £215,000) relating to the dilapidations provision (see note 17).

There were no capital commitments as at 31 July 2017 or 31 July 2016.

## 14 Investments

|  | Company       |               |
|--|---------------|---------------|
|  | 2017<br>£'000 | 2016<br>£'000 |
| Investments in Group Companies at 1 August       | 7,213         | 5,676         |
| Movement in investment in group companies        | 774           | 1,537         |
| <b>Investments in Group Companies at 31 July</b> | <b>7,987</b>  | <b>7,213</b>  |

The movement in investments in Group companies represents a capital contribution made in Matchtech Group (UK) Limited relating to share-based payments.

### Subsidiary Undertakings

| Company                                    | Registered Office | Country of Incorporation | Share Class | % held  | Main Activities                      |
|--|-------------------|--------------------------|-------------|---------|--------------------------------------|
| Matchtech Group (Holdings) Limited         | 1                 | United Kingdom           | Ordinary    | 100%    | Holding                              |
| Matchtech Group Management Company Limited | 1                 | United Kingdom           | Ordinary    | 100%    | Non trading                          |
| Matchtech Group (UK) Limited               | 1                 | United Kingdom           | Ordinary    | 99.998% | Provision of recruitment consultancy |
| Matchtech Engineering Limited              | 1                 | United Kingdom           | Ordinary    | 100%    | Non trading                          |
| Matchtech Limited                          | 1                 | United Kingdom           | Ordinary    | 100%    | Non trading                          |
| Barclay Meade Limited                      | 1                 | United Kingdom           | Ordinary    | 100%    | Provision of recruitment consultancy |
| Alderwood Education Limited                | 1                 | United Kingdom           | Ordinary    | 100%    | Provision of recruitment consultancy |
| Gattaca Solutions Limited                  | 1                 | United Kingdom           | Ordinary    | 100%    | Provision of recruitment consultancy |
| Connectus Technology Limited               | 1                 | United Kingdom           | Ordinary    | 100%    | Provision of recruitment consultancy |
| Gattaca Recruitment Limited                | 1                 | United Kingdom           | Ordinary    | 100%    | Non trading                          |
| Gattaca GmbH                               | 2                 | Germany                  | Ordinary    | 100%    | Provision of recruitment consultancy |
| Gattaca BV                                 | 3                 | Netherlands              | Ordinary    | 100%    | Non trading                          |
| Matchtech Engineering Inc                  | 4                 | USA                      | Ordinary    | 100%    | Non trading                          |

| Company   | Registered Office | Country of Incorporation | Share Class | % held | Main Activities                      |
|---|-------------------|--------------------------|-------------|--------|--------------------------------------|
| Application Services Limited                                | 1                 | United Kingdom           | Ordinary    | 100%   | Provision of recruitment consultancy |
| Provanis Limited  | 1                 | United Kingdom           | Ordinary    | 100%   | Non trading                          |
| Networkers International Limited                            | 5                 | United Kingdom           | Ordinary    | 100%   | Holding                              |
| Networkers International (UK) Limited                       | 5                 | United Kingdom           | Ordinary    | 100%   | Provision of recruitment consultancy |
| Networkers International LLC                                | 6                 | United States            | Ordinary    | 100%   | Non trading                          |
| Networkers Inc.   | 6                 | United States            | Ordinary    | 100%   | Provision of recruitment consultancy |
| NWI de Mexico S. de R.L. de C.V.                            | 7                 | Mexico                   | Ordinary    | 100%   | Provision of recruitment consultancy |
| Networkers International South Africa Proprietary Limited   | 8                 | South Africa             | Ordinary    | 87%    | Provision of recruitment consultancy |
| Networkers International Proprietary Limited                | 8                 | South Africa             | Ordinary    | 100%   | Provision of recruitment consultancy |
| Kithara Limited   | 8                 | South Africa             | Ordinary    | 100%   | Holding                              |
| Networkers International (China) Co. Limited                | 9                 | China                    | Ordinary    | 100%   | Provision of recruitment consultancy |
| Networkers International (Malaysia) Sdn Bhd                 | 10                | Malaysia                 | Ordinary    | 100%   | Provision of recruitment consultancy |
| Networkers International (Canada) Inc                       | 11                | Canada                   | Ordinary    | 100%   | Provision of recruitment consultancy |
| Networkers International Trustees Limited                   | 5                 | United Kingdom           | Ordinary    | 100%   | Non trading                          |
| The Comms Group Limited                                     | 5                 | United Kingdom           | Ordinary    | 100%   | Holding                              |
| CommsResources Limited                                      | 5                 | United Kingdom           | Ordinary    | 100%   | Provision of recruitment consultancy |
| Gattaca Malaysia Sdn Bhd                                    | 10                | Malaysia                 | Ordinary    | 100%   | Provision of recruitment consultancy |
| Comms Software Limited                                      | 5                 | United Kingdom           | Ordinary    | 100%   | Non trading                          |
| Gattaca de Colombia SAS                                     | 12                | Colombia                 | Ordinary    | 100%   | Provision of recruitment consultancy |
| Elite Computer Staff Limited                                | 5                 | United Kingdom           | Ordinary    | 100%   | Non trading                          |
| NWKI Consultancy FZ LLC                                     | 13                | Dubai                    | Ordinary    | 100%   | Provision of recruitment consultancy |
| Networkers Recruitment Services Limited                     | 5                 | United Kingdom           | Ordinary    | 100%   | Non trading                          |
| MSB International GmbH                                      | 14                | Germany                  | Ordinary    | 100%   | Non trading                          |
| NWKI Communications LLC                                     | 13                | Dubai                    | Ordinary    | 49%    | Provision of recruitment consultancy |
| Networkers Consultancy (Singapore) PTE Limited              | 15                | Singapore                | Ordinary    | 100%   | Provision of recruitment consultancy |
| Cappo Group Limited   | 5                 | United Kingdom           | Ordinary    | 100%   | Holding                              |
| Cappo Inc   | 6                 | United States            | Ordinary    | 100%   | Provision of recruitment consultancy |
| Cappo International Limited                                 | 5                 | United Kingdom           | Ordinary    | 100%   | Provision of recruitment consultancy |
| Cappo Qatar LLC   | 16                | Qatar                    | Ordinary    | 49%    | Provision of recruitment consultancy |
| Networkers Consultoria Em Tecnologia Da Informacao Limiteda | 17                | Brazil                   | Ordinary    | 100%   | Non trading                          |
| Resourcing Solutions Limited                                | 18                | United Kingdom           | Ordinary    | 70%    | Provision of recruitment consultancy |
| MSB Consulting Services Limited                             | 5                 | United Kingdom           | Ordinary    | 100%   | Non trading                          |
| Gattaca SAS   | 19                | France                   | Ordinary    | 100%   | Provision of recruitment consultancy |
| Gattaca Recruitment ETT, SLU                                | 20                | Spain                    | Ordinary    | 100%   | Provision of recruitment consultancy |
| Gattaca Information Technology Services SLU                 | 20                | Spain                    | Ordinary    | 100%   | Provision of recruitment consultancy |

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All holdings are indirect except Matchtech Group (Holdings) Limited, Matchtech GmbH and Matchtech Group Management Company Limited.

The Group consolidates NWKI Communications LLC and Cappo Qatar LLC as subsidiaries in the consolidation due to contractual arrangements in place giving the Group effective control of the entities.

## 15 Deferred Tax

|  | Asset<br>2017<br>£'000 | Liability<br>2017<br>£'000 | Net<br>2017<br>£'000 | (Charged)/<br>Credited/<br>to profit<br>2017<br>£'000 | Charged<br>to equity<br>2017<br>£'000 |
|--|------------------------|----------------------------|----------------------|---|---------------------------------------|
| Share based payments                         | 445                    | –                          | 445                  | (109)   | (121)                                 |
| Depreciation in excess of capital allowances | 117                    | –                          | 117                  | 9   | –                                     |
| Acquired intangibles                         | –                      | (3,914)                    | (3,914)              | 1,027   | –                                     |
| Other temporary and deductible differences   | 211                    | –                          | 211                  | 20  | –                                     |
| <b>Net deferred tax assets/(liabilities)</b> | <b>773</b>             | <b>(3,914)</b>             | <b>(3,141)</b>       | <b>947</b>  | <b>(121)</b>                          |

|  | Asset<br>2016<br>£'000 | Liability<br>2016<br>£'000 | Net<br>2016<br>£'000 | Credited/<br>(charged)<br>to profit<br>2016<br>£'000 | Credited/<br>(charged)<br>to equity<br>2016<br>£'000 |
|--|------------------------|----------------------------|----------------------|--|--|
| Share based payments                         | 675                    | –                          | 675                  | (143)  | (185)  |
| Depreciation in excess of capital allowances | 108                    | –                          | 108                  | 32   | –  |
| Acquired intangibles                         | –                      | (4,286)                    | (4,286)              | 681  | –  |
| Other temporary and deductible differences   | 186                    | –                          | 186                  | 28   | –  |
| <b>Net deferred tax assets/(liabilities)</b> | <b>969</b>             | <b>(4,286)</b>             | <b>(3,317)</b>       | <b>598</b>   | <b>(185)</b>   |

The movement on the net deferred tax asset is as shown below:

|                       | Group          |                |
|-----------------------|----------------|----------------|
|                       | 2017<br>£'000  | 2016<br>£'000  |
| At 1 August           | (3,317)        | (3,730)        |
| Acquired intangibles  | (655)          | –              |
| Recognised in income  | 947            | 598            |
| Recognised in equity  | (121)          | (185)          |
| Foreign exchange      | 5              | –              |
| <b>At end of year</b> | <b>(3,141)</b> | <b>(3,317)</b> |

The UK corporation tax rate of 20% reduced to 19% from 1 April 2017, and will reduce to 17% from 1 April 2020 and this has been reflected in the Consolidated Financial Statements.

As these changes of rates have been enacted at the balance sheet date, the impact of these reductions has been reflected in the deferred tax liability at a rate of 17% (2016: 18%).

## 16 Trade and Other Receivables

|                                 | Group          |                | Company       |               |
|---------------------------------|----------------|----------------|---------------|---------------|
|                                 | 2017<br>£'000  | 2016<br>£'000  | 2017<br>£'000 | 2016<br>£'000 |
| Trade receivables               | 110,977        | 98,156         | –             | –             |
| Amounts owed by Group companies | –              | –              | 86,606        | 80,335        |
| Other receivables               | 1,729          | 887            | 2             | –             |
| Prepayments                     | 2,291          | 1,768          | –             | –             |
| <b>Total</b>                    | <b>114,997</b> | <b>100,811</b> | <b>86,608</b> | <b>80,335</b> |

The amounts due from Group undertakings in the Company Statement of Financial Position are considered to approximate to fair value.

Days sales outstanding at the year end based upon the preceding three months' revenue were 55.0 days (2016: 50.2 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of debts.

The Directors consider that the carrying amount of trade and other receivables approximates to the fair value.

Included in the Group's trade receivable balance are debtors with a carrying amount of £15,661,000 (2016: £10,407,000) which are past due at the reporting date for which the Group has not provided as the Directors do not believe there has been a significant change in credit quality and consider the amounts to be recoverable in full. The Group does not hold any collateral over these balances.

The Group uses a third party credit scoring system to assess the credit worthiness of potential new customers before accepting them. Credit limits are defined by customer based on this information. All customer accounts are subject to review on a regular basis by senior management and actions are taken to address debt ageing issues.

The Directors believe that there is no requirement for further provision over and above the allowance for doubtful debts.

Ageing of past due but not impaired trade receivables:

|              | Group         |               |
|--------------|---------------|---------------|
|              | 2017<br>£'000 | 2016<br>£'000 |
| 0-30 days    | 9,007         | 7,427         |
| 31-60 days   | 3,223         | 2,046         |
| 61-90 days   | 1,463         | 744           |
| 91+ days     | 1,958         | 190           |
| <b>Total</b> | <b>15,661</b> | <b>10,407</b> |

Movement in the allowance for doubtful debts:

|   | Group         |               |
|---|---------------|---------------|
|   | 2017<br>£'000 | 2016<br>£'000 |
| At 1 August                             | 915           | 1,235         |
| Acquisitions                            | 42            | –             |
| Impairment losses recognised/(reversed) | 71            | (320)         |
| <b>At 31 July</b>                       | <b>1,028</b>  | <b>915</b>    |

Ageing of impaired trade receivables:

|                                | Group         |               |
|--------------------------------|---------------|---------------|
|                                | 2017<br>£'000 | 2016<br>£'000 |
| Not past due at reporting date | –             | –             |
| 0-30 days                      | –             | –             |
| 30-60 days                     | –             | 1             |
| 60-90 days                     | –             | –             |
| 90+ days                       | 1,028         | 914           |
| <b>Total</b>                   | <b>1,028</b>  | <b>915</b>    |

## 17 Provisions

|                                     | Group         |               |
|-------------------------------------|---------------|---------------|
|                                     | 2017<br>£'000 | 2016<br>£'000 |
| At 1 August                         | 602           | 626           |
| Increase in year                    | 994           | –             |
| Provisions released during the year | –             | (24)          |
| <b>At 31 July</b>                   | <b>1,596</b>  | <b>602</b>    |
| Non-current                         | 1,596         | 278           |
| Current                             | –             | 324           |
| <b>Total</b>                        | <b>1,596</b>  | <b>602</b>    |

The above provision relates to a dilapidations provision based on the requirement to return leased buildings to their original condition at the end of the lease term. The provision relates to offices held under lease arrangements that expire between June 2017 and March 2027.

## 18 Trade and Other Payables

|                                 | Group         |               | Company       |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Trade payables                  | 159           | 456           | –             | –             |
| Amounts owed to Group companies | –             | –             | 32,031        | 31,711        |
| Taxation and Social Security    | 8,627         | 5,134         | –             | –             |
| Contractor wages creditor       | 19,015        | 19,087        | –             | –             |
| Accruals and deferred income    | 9,882         | 10,885        | –             | –             |
| Provisions                      | –             | 324           | –             | –             |
| Other payables                  | 1,307         | 1,975         | –             | –             |
| <b>Total</b>                    | <b>38,990</b> | <b>37,861</b> | <b>32,031</b> | <b>31,711</b> |

## 19 Financial Assets and Liabilities Statement of Financial Position Classification

The carrying amount of the Group's financial assets and liabilities as recognised at the Statement of Financial Position date of the reporting periods under review may also be categorised as follows:

Financial assets are included in the Statement of Financial Position within the following headings:

|                             | Group          |                | Company       |               |
|-----------------------------|----------------|----------------|---------------|---------------|
|                             | 2017<br>£'000  | 2016<br>£'000  | 2017<br>£'000 | 2016<br>£'000 |
| Trade and other receivables |                |                |               |               |
| – Loan and receivables      | 112,706        | 99,043         | 86,608        | 80,335        |
| Cash and cash equivalents   |                |                |               |               |
| – Loan and receivables      | 5,802          | 7,442          | –             | –             |
| <b>Total</b>                | <b>118,508</b> | <b>106,485</b> | <b>86,608</b> | <b>80,335</b> |

Financial liabilities are included in the Statement of Financial Position within the following headings:

|  | Group         |               |
|--|---------------|---------------|
|  | 2017<br>£'000 | 2016<br>£'000 |
| Current liabilities                                |               |               |
| Borrowings   |               |               |
| – Financial liabilities recorded at amortised cost | 46,090        | 32,455        |
| Trade and other payables                           |               |               |
| – Financial liabilities recorded at amortised cost | 30,363        | 32,403        |
| <b>Total</b>                                       | <b>76,453</b> | <b>64,858</b> |

The amounts at which the assets and liabilities above are recorded are considered to approximate to fair value.

The Group has agreed banking facilities with HSBC until October 2020 totalling £105m comprising a £75m Invoice Financing Facility and a £30m Revolving Credit Facility.

The Group's working capital facilities with HSBC are secured by way of an all assets debenture, which contains fixed and floating charges over the assets of the Group. This facility allows the Company to borrow up to 90% of its invoiced debtors up to a maximum of £75m. Interest is charged on borrowings at a rate of 1.1% over HSBC base rate.

The Group has a £30m Term Loan Facility agreement with HSBC which is secured by way of a fixed and floating charge over assets of the Group. Interest is charged on borrowings at a rate of 3% over HSBC LIBOR rate.

## 20 Commitments under Operating Leases

At 31 July 2017 the Group had commitments to pay the following amounts under non-cancellable operating leases as set out below:

|                |                       |                     | Group |       |
|----------------|-----------------------|---------------------|-------|-------|
|                |                       |                     | 2017  | 2016  |
|                |                       |                     | £'000 | £'000 |
| Land/buildings | Payments falling due: | within 1 year       | 2,454 | 1,340 |
|                |                       | within 1 to 5 years | 7,950 | 5,221 |
|                |                       | after 5 years       | 6,419 | 5,307 |
| Other          | Payments falling due: | within 1 year       | 364   | 300   |
|                |                       | within 1 to 5 years | 510   | 316   |

## 21 Share Capital

### Authorised Share Capital

|  | Company |       |
|--|---------|-------|
|  | 2017    | 2016  |
|  | £'000   | £'000 |
| 40,000,000 Ordinary shares of £0.01 each | 400     | 400   |

Allotted, called up and fully paid:

|   | Company |       |
|---|---------|-------|
|   | 2017    | 2016  |
|   | £'000   | £'000 |
| 31,801,000 (2016: 31,167,000) Ordinary shares of £0.01 each | 318     | 312   |

The number of shares in issue in the Company is shown below:

|                            | Company       |               |
|----------------------------|---------------|---------------|
|                            | 2017          | 2016          |
|                            | '000          | '000          |
| In issue at 1 August       | 31,167        | 30,922        |
| Exercise of share options  | 634           | 245           |
| <b>In issue at 31 July</b> | <b>31,801</b> | <b>31,167</b> |

### Share Options

The following options arrangements exist over the Company's shares:

|                                  | 2017  | 2016  | Date of grant | Exercise price pence | Exercise period |            |
|----------------------------------|-------|-------|---------------|----------------------|-----------------|------------|
|                                  |       |       |               |                      | From            | To         |
|                                  | '000s | '000s |               |                      |                 |            |
| Zero Priced Share Option Bonus   | 1     | 1     | 18/01/2010    | 1                    | 18/01/2012      | 18/01/2020 |
| Zero Priced Share Option Bonus   | 1     | 1     | 18/01/2010    | 1                    | 18/01/2013      | 18/01/2020 |
| Zero Priced Share Option Bonus   | 1     | 1     | 04/02/2011    | 1                    | 25/01/2013      | 04/02/2021 |
| Zero Priced Share Option Bonus   | 1     | 1     | 04/02/2011    | 1                    | 03/02/2014      | 04/02/2021 |
| Long Term Incentive Plan Options | –     | 9     | 31/01/2012    | 1                    | 30/01/2015      | 31/01/2022 |
| Zero Priced Share Option Bonus   | 1     | 1     | 31/01/2012    | 1                    | 30/01/2014      | 31/01/2022 |
| Zero Priced Share Option Bonus   | 2     | 2     | 31/01/2012    | 1                    | 30/01/2015      | 31/01/2022 |

|                                  |              |              |            |     |            |            |
|----------------------------------|--------------|--------------|------------|-----|------------|------------|
| Long Term Incentive Plan Options | –            | 31           | 31/01/2013 | 1   | 30/01/2016 | 31/01/2023 |
| Zero Priced Share Option Bonus   | 3            | 4            | 31/01/2013 | 1   | 30/01/2015 | 31/01/2023 |
| Zero Priced Share Option Bonus   | 7            | 11           | 31/01/2013 | 1   | 30/01/2016 | 31/01/2023 |
| Long Term Incentive Plan Options | –            | 104          | 24/01/2014 | 1   | 24/01/2017 | 24/01/2024 |
| Deferred Share Bonus             | –            | 10           | 24/01/2014 | 1   | 24/01/2015 | 24/01/2024 |
| Deferred Share Bonus             | –            | 10           | 24/01/2014 | 1   | 24/01/2016 | 24/01/2024 |
| Zero Priced Share Option Bonus   | 6            | 11           | 01/01/2014 | 1   | 01/01/2016 | 01/01/2024 |
| Zero Priced Share Option Bonus   | 53           | 233          | 01/01/2014 | 1   | 01/01/2017 | 01/01/2024 |
| Zero Priced Share Option Bonus   | 7            | 15           | 28/01/2015 | 1   | 28/01/2017 | 28/01/2025 |
| Zero Priced Share Option Bonus   | 92           | 108          | 28/01/2015 | 1   | 28/01/2018 | 28/01/2025 |
| Zero Priced Share Option Bonus   | 31           | 44           | 30/01/2015 | 1   | 30/01/2018 | 30/01/2025 |
| Zero Priced Share Option Bonus   | 5            | 16           | 26/06/2015 | 1   | 26/06/2018 | 26/06/2025 |
| Value Creation Plan              | –            | 389          | 02/07/2015 | 1   | 18/11/2016 | 18/11/2021 |
| Value Creation Plan              | 380          | 389          | 02/07/2015 | 1   | 18/11/2017 | 18/11/2021 |
| Long Term Incentive Plan Options | 33           | 45           | 11/02/2016 | 1   | 11/02/2019 | 11/02/2026 |
| Zero priced share option bonus   | 65           | 76           | 11/02/2016 | 1   | 11/02/2018 | 11/02/2026 |
| Zero priced share option bonus   | 65           | 76           | 11/02/2016 | 1   | 11/02/2019 | 11/02/2026 |
| Long Term Incentive Plan Options | 23           | 31           | 11/02/2016 | 225 | 11/02/2018 | 11/02/2026 |
| Long Term Incentive Plan Options | 23           | 31           | 11/02/2016 | 225 | 11/02/2019 | 11/02/2026 |
| Long Term Incentive Plan Options | 159          | –            | 03/02/2017 | 1   | 03/02/2020 | 03/02/2027 |
| Long Term Incentive Plan Options | 176          | –            | 31/01/2017 | 1   | 31/01/2020 | 31/01/2027 |
| Long Term Incentive Plan Options | 92           | –            | 31/01/2017 | 72  | 31/01/2019 | 31/01/2027 |
| Long Term Incentive Plan Options | 92           | –            | 31/01/2017 | 72  | 31/01/2020 | 31/01/2027 |
| Long Term Incentive Plan Options | 79           | –            | 31/01/2017 | 145 | 31/01/2019 | 31/01/2027 |
| Long Term Incentive Plan Options | 79           | –            | 31/01/2017 | 145 | 31/01/2020 | 31/01/2027 |
| <b>Total</b>                     | <b>1,477</b> | <b>1,650</b> |            |     |            |            |

During the year the Group granted share options under a zero priced share option for Executive Directors and Senior Management, and long-term incentive plan (LTIP) options for key staff. The zero priced share options were granted on 31 January and 3 February 2017 to members of staff subject to a three-year holding period and are subject to TSR, EPS and Share Price performance targets. The long-term incentive plan options were granted to staff on 31 January 2017 and are subject to two and three-year holding periods with a release price of 290 pence per share. All share options have a life of 10 years and are equity settled on exercise.

The movement in share options is shown below:

|                         | 2017         |   |                                      | 2016         |   |                                      |
|-------------------------|--------------|---|--------------------------------------|--------------|---|--------------------------------------|
|                         | Number '000s | Weighted average exercise price (pence) | Weighted average share price (pence) | Number '000s | Weighted average exercise price (pence) | Weighted average share price (pence) |
| Outstanding at 1 August | 1,650        | 9.3                                     | –                                    | 1,766        | 1.7                                     | –                                    |
| Granted                 | 758          | 51.1                                    | –                                    | 277          | 56.0                                    | –                                    |
| Forfeited/lapsed        | (182)        | 31.1                                    | –                                    | (145)        | 11.0                                    | –                                    |
| Exercised               | (749)        | 1.0                                     | 293.3                                | (248)        | 4.6                                     | 431.0                                |
| Outstanding at 31 July  | 1,477        | 30.4                                    |                                      | 1,650        | 9.3                                     |                                      |
| Exercisable at 31 July  | 83           | 1.0                                     |                                      | 94           | 1.0                                     |                                      |

The number of share options granted includes the deferred share bonus options.

The numbers and weighted average exercise prices of share options vesting in the future are shown below.

| Exercise Date | 2017  |              |   | 2016  |              |   |
|---------------|---|--------------|---|---|--------------|---|
|               | Weighted average remaining contract life (months) | Number '000s | Weighted average exercise price (pence) | Weighted average remaining contract life (months) | Number '000s | Weighted average exercise price (pence) |
| 18/11/2016    | –   | –            | –                                       | 4   | 389          | 1.0                                     |
| 01/01/2017    | –   | –            | –                                       | 5   | 233          | 1.0                                     |
| 24/01/2017    | –   | –            | –                                       | 6   | 104          | 1.0                                     |
| 28/01/2017    | –   | –            | –                                       | 6   | 15           | 1.0                                     |
| 18/11/2017    | 4   | 380          | 1.0                                     | 16  | 389          | 1.0                                     |
| 28/01/2018    | 6   | 92           | 1.0                                     | 18  | 108          | 1.0                                     |
| 30/01/2018    | 6   | 31           | 1.0                                     | 18  | 44           | 1.0                                     |
| 11/02/2018    | 7   | 88           | 60.0                                    | 19  | 107          | 46.3                                    |
| 26/06/2018    | 11  | 5            | 1.0                                     | 23  | 16           | 1.0                                     |
| 31/01/2019    | 18  | 171          | 105.6                                   | –   | –            | –                                       |
| 11/02/2019    | 19  | 121          | 44.5                                    | 31  | 151          | 65.2                                    |
| 31/01/2020    | 30  | 347          | 52.5                                    | –   | –            | –                                       |
| 03/02/2020    | 30  | 159          | 1.0                                     | –   | –            | –                                       |
| <b>Total</b>  |   | <b>1,394</b> |   |   | <b>1,556</b> |   |

In addition to the share option schemes, the Group operated a share incentive plan (SIP), which is an HMRC-approved plan available to all employees enabling them to purchase shares out of pre-tax salary. For each share purchased, the Company grants an additional share at no cost.

The fair values of the LTIP options were calculated using the Monte Carlo simulation method along with the assumptions detailed below. The values of the zero price options granted in the year were calculated using the Black Scholes method along with the assumptions as detailed below. The fair values of the SIPs were calculated as the market values on the date of the grant adjusted for the assumptions as detailed below.

| Date of grant |                  | Share Price on the date of grant (£) | Exercise Price (£) | Volatility (%) | Vesting Period (yrs) | Dividend Yield (%) | Risk Free Rate of interest (%) | Fair Value (£) |
|---------------|------------------|--------------------------------------|--------------------|----------------|----------------------|--------------------|--------------------------------|----------------|
| 28/01/2015    | LTIP             | 5.08                                 | 0.01               | 16.4%          | 3.00                 | 3.9%               | 0.7%                           | 4.51           |
| 30/01/2015    | Zero price bonus | 5.08                                 | 0.01               | 16.4%          | 3.00                 | 3.9%               | 0.6%                           | 4.51           |
| 26/06/2015    | LTIP             | 5.49                                 | 0.01               | 16.4%          | 3.00                 | 3.9%               | 1.1%                           | 4.90           |
| 06/07/2015    | SIP              | 5.58                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 5.58           |
| 05/08/2015    | SIP              | 5.81                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 5.81           |
| 04/09/2015    | SIP              | 5.64                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 5.64           |
| 05/10/2015    | SIP              | 5.18                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 5.18           |
| 03/11/2015    | SIP              | 5.45                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 5.45           |
| 08/12/2015    | SIP              | 5.43                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 5.43           |
| 05/01/2016    | SIP              | 5.35                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 5.35           |
| 05/02/2016    | SIP              | 5.08                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 5.08           |
| 11/02/2016    | LTIP             | 4.35                                 | 0.01               | 21.4%          | 2.00                 | 5.1%               | 0.4%                           | 1.45           |
| 11/02/2016    | LTIP             | 4.35                                 | 0.01               | 21.4%          | 3.00                 | 5.1%               | 0.4%                           | 1.45           |
| 11/02/2016    | LTIP             | 4.35                                 | 2.25               | 21.4%          | 2.00                 | 5.1%               | 0.4%                           | 0.84           |
| 11/02/2016    | LTIP             | 4.35                                 | 2.25               | 21.4%          | 3.00                 | 5.1%               | 0.4%                           | 0.88           |
| 11/02/2016    | Zero price bonus | 4.50                                 | 0.01               | 20.9%          | 3.00                 | 4.9%               | 0.5%                           | 3.88           |
| 07/03/2016    | SIP              | 4.29                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 4.29           |
| 14/04/2016    | SIP              | 4.74                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 4.74           |
| 10/05/2016    | SIP              | 4.65                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 4.65           |
| 06/06/2016    | SIP              | 4.25                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 4.25           |
| 05/07/2016    | SIP              | 3.19                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 3.19           |
| 05/08/2016    | SIP              | 3.54                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 3.54           |
| 09/09/2016    | SIP              | 3.87                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 3.87           |
| 07/10/2016    | SIP              | 3.57                                 | 0.01               | N/A            | 3.00                 | N/A                | N/A                            | 3.57           |

|            |                  |      |      |       |      |      |      |      |
|------------|------------------|------|------|-------|------|------|------|------|
| 08/11/2016 | SIP              | 3.16 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 3.16 |
| 07/12/2016 | SIP              | 2.95 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 2.95 |
| 16/01/2017 | SIP              | 2.98 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 2.98 |
| 31/01/2017 | Zero price bonus | 2.92 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.27 |
| 31/01/2017 | Zero price bonus | 2.92 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.51 |
| 31/01/2017 | Zero price bonus | 2.90 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.23 |
| 31/01/2017 | Zero price bonus | 2.90 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.49 |
| 31/01/2017 | LTIP             | 2.90 | 0.72 | 37.9% | 2.00 | 7.9% | 0.2% | 0.99 |
| 31/01/2017 | LTIP             | 2.90 | 0.72 | 31.6% | 3.00 | 7.9% | 0.3% | 0.86 |
| 31/01/2017 | LTIP             | 2.90 | 1.45 | 37.9% | 2.00 | 7.9% | 0.2% | 0.80 |
| 03/02/2017 | LTIP             | 2.90 | 1.45 | 31.6% | 3.00 | 7.9% | 0.3% | 0.66 |
| 07/02/2017 | SIP              | 2.94 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 2.94 |
| 07/03/2017 | SIP              | 2.94 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 2.94 |
| 07/04/2017 | SIP              | 3.10 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 3.10 |
| 09/05/2017 | SIP              | 3.18 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 3.18 |
| 07/06/2017 | SIP              | 3.28 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 3.28 |
| 07/07/2017 | SIP              | 3.09 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 3.09 |
| 07/08/2017 | SIP              | 2.87 | 0.01 | N/A   | 3.00 | N/A  | N/A  | 2.87 |

The volatility of the Company's share price on each date of grant was calculated as the average of the annualised standard deviations of daily continuously compounded returns on the Company's stock, calculated over five years back from the date of grant, where applicable. The risk-free rate is the yield to maturity on the date of grant of a UK gilt strip, with term to maturity equal to the life of the option.

## 22 Transactions with Directors and Related Parties

During the year, the Group made sales of £381,000 (2016: £370,000) to InHealth Group which is a related party by virtue of the common directorship of Richard Bradford, and sales of £863,000 (2016: £915,000) to the Waterman Group by virtue of common directorship of Ric Piper. As at the year end, Waterman Group has a balance outstanding of £126,000 (2016: £85,000) and InHealth Group has a balance outstanding of £26,000 (2016: £98,000). All transactions were undertaken at an arm's length price.

There were no other related party transactions with entities outside of the Group.

During the year, Matchtech Group (UK) Limited charged Gattaca plc £921,000 (2016: £901,000) for provision of management services. Further details of transactions with directors are included in the Director's Remuneration Report within the Group Annual Report.

## 23 Financial Instruments

The financial risk management policies and objectives including those related to financial instruments and the qualitative risk exposure details, comprising credit and other applicable risks, are included within the Chief Financial Officer's report under the heading Group financial risk management within the Group Annual Report.

### *Maturity of Financial Liabilities*

The Group financial liabilities analysis at 31 July 2017 was as follows:

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| In less than one year or on demand:           |               |               |               |               |
| Bank overdrafts                               | –             | 14            | –             | –             |
| Working capital facility                      | 25,693        | 18,939        | –             | –             |
| Finance costs capitalised                     | (67)          | (106)         | –             | –             |
| Bank loans and overdrafts                     | 25,626        | 18,847        | –             | –             |
| Trade and other payables                      | 30,363        | 32,403        | –             | –             |
| <b>Total</b>                                  | <b>55,989</b> | <b>51,250</b> | <b>–</b>      | <b>–</b>      |
| More than one year but less than three years: |               |               |               |               |
| Term loan                                     | 20,714        | 13,608        | 20,714        | 13,608        |
| Finance costs capitalised                     | (250)         | –             | (250)         | –             |
| <b>Total</b>                                  | <b>20,464</b> | <b>13,608</b> | <b>20,464</b> | <b>13,608</b> |

### Borrowing Facilities

The Group makes use of working capital facilities and a term loan, details of which can be found in note 19. The undrawn facility available at 31 July 2017 in respect of which all conditions precedent had been met was as follows:

|                               | Group         |               | Company       |               |
|-------------------------------|---------------|---------------|---------------|---------------|
|                               | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000 | 2016<br>£'000 |
| Expiring in one to five years | <b>58,593</b> | 76,061        | <b>9,286</b>  | 16,392        |

The Directors have calculated that the effect on profit of a 1% movement in interest rates would be £526,000 (2016: £450,000).

The Directors believe that the carrying value of borrowings approximates to their fair value.

### Foreign Currency Risk

The Group's main foreign currency risk is the short-term risk associated with the trade debtors denominated in US Dollars and Euros relating to the UK operations whose functional currency is Sterling. The risk arises on the difference between exchange rates at the time the invoice is raised to when the invoice is settled by the client. For sales denominated in foreign currency, the Group ensures that direct costs associated with the sale are denominated in the same currency. Further foreign exchange risk arises where there is a gap in the amount of assets and liabilities of the Group denominated in foreign currencies that are required to be translated into Sterling at the year end rates of exchange. Where the risk to the Group is considered to be significant, the Group will enter into a matching forward foreign exchange contract with a reputable bank.

Net foreign currency monetary assets are shown below:

|           | Group         |               |
|-----------|---------------|---------------|
|           | 2017<br>£'000 | 2016<br>£'000 |
| US Dollar | <b>8,097</b>  | 10,120        |
| Euro      | <b>3,503</b>  | 4,802         |

The effect of a 25c strengthening of the Euro and Dollar against Sterling at the balance sheet date on the Euro/Dollar denominated trade and other receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £2,898,000. A 25c weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and reduced net assets by £1,928,000.

### Company

The Company holds no material balances of this nature other than intercompany balances, which are not subject to a fair value adjustment.

## 24 Capital Management Policies and Procedures

Gattaca plc's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- to provide an adequate return to shareholders; and
- pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the Statement of Financial Position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. Capital for the reporting period under review is summarised as follows:

|                                    | Group          |               |
|------------------------------------|----------------|---------------|
|                                    | 2017<br>£'000  | 2016<br>£'000 |
| Total equity                       | <b>84,702</b>  | 81,614        |
| Cash and cash equivalents          | <b>(5,802)</b> | (7,442)       |
| Capital                            | <b>78,900</b>  | 74,172        |
| Total equity                       | <b>84,702</b>  | 81,614        |
| Borrowings                         | <b>46,157</b>  | 32,561        |
| Overall financing                  | <b>130,859</b> | 114,175       |
| Capital to overall financing ratio | <b>60%</b>     | 65%           |



## 25 Alternative Performance Measures

Alternative performance measures are disclosed below to show the adjusted and underlying trading performance of the Group.

The adjusted basis is reported excluding non-recurring items, amortisation of acquired intangibles and results from divested businesses.

### 2017

| All amounts in £'000   | Statutory basis | Non-recurring costs | Amortisation of acquired intangibles | Divested businesses | Adjusted basis |
|------------------------|-----------------|---------------------|--------------------------------------|---------------------|----------------|
| Revenue                | 642,365         | -                   | -                                    | -                   | 642,365        |
| Gross profit           | 74,708          | -                   | -                                    | -                   | 74,708         |
| Profit from operations | 12,704          | 1,610               | 3,074                                | -                   | 17,388         |

### 2016

| All amounts in £'000   | Statutory basis | Non-recurring costs | Amortisation of acquired intangibles | Divested businesses | Adjusted basis |
|------------------------|-----------------|---------------------|--------------------------------------|---------------------|----------------|
| Revenue                | 617,604         | -                   | -                                    | (772)               | 616,832        |
| Gross profit           | 72,996          | -                   | -                                    | (609)               | 72,387         |
| Profit from operations | 15,062          | 2,371               | 3,656                                | 408                 | 21,497         |

### Net Debt

Net debt is calculated as follows:

|                           | Group         |               |
|---------------------------|---------------|---------------|
|                           | 2017<br>£'000 | 2016<br>£'000 |
| Cash and cash equivalents | 5,802         | 7,442         |
| Bank loans and overdrafts | (46,090)      | (32,455)      |
| Net debt                  | (40,288)      | (25,013)      |

## 26 Non-controlling Interests

The non-controlling interests relate to a 30% minority interest in Resourcing Solutions Limited. The total non-controlling interest as at 31 July 2017 was £2,222,000 (2016: £nil) which included profit in the year of £172,000 and deferred consideration of £2,050,000.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 July 2017 or 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the registrar of companies, and those for 2017 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information presented on this web site does not comprise the statutory accounts of Gattaca plc for the financial years ended 31 July 2017 and 31 July 2016 but represents extracts from them. These extracts do not provide as full an understanding of the financial performance and position, or financial and investing activities, of the company as the complete Annual Report.