31 March 2021

Gattaca plc
("Gattaca" or "the Group")
Interim Results for the six months ended 31 January 2021

Resilient performance; FY guidance unchanged
Well placed for further recovery underpinned by our core focus on STEM skills

Gattaca plc ("Gattaca" or the "Group"), the specialist Engineering and Technology staffing solutions business, today announces its Interim Results for the six months ended 31 January 2021.

Financial Highlights

	2021 H1		2020 H1 (restated)			
	Continuing reported £m	**Continuing underlying[2] £m**	Continuing reported £m	Continuing underlying £m	Continuing reported %	Continuing underlying %
Revenue	**206.5**	**206.5**	297.6	297.6	(30.6)	(30.6)
Net Fee Income (NFI)[1]	**21.1**	**21.1**	31.8	31.8	(33.7)	(33.7)
EBITDA	**2.2**	**2.0**	5.5	5.7	(61.0)	(65.5)
Profit before tax	**0.1**	**0.4**	1.4	3.3	(92.2)	(86.5)
Profit after tax	**0.1**	**0.3**	0.7	2.4	(90.4)	(85.4)
Discontinued Operations	**(0.0)**		(1.4)			
Reported Profit/(Loss) after Tax	**0.0**		(0.6)			
Basic earnings per share	**0.2**	**1.1**	2.2	7.4	(90.4)%	(85.4)%
Diluted earnings per share	**0.2**	**1.1**	2.1	7.2	(90.1)%	(84.9)%
Interim dividend	**0p**		0p			
Adjusted net cash / (debt) at end of period[3]	**£22.7m**		£(3.1)m			

Highlights

- Group continuing underlying NFI of £21.1m, 34% lower on restated H1 2020, reflecting the market impact of the COVID-19 pandemic over the entire reporting period (no COVID-19 impact in H1 2020). International NFI lower by 33%
- Strong cost management resulted in Group continuing underlying PBT of £0.4m (restated 2020 H1: £3.3m)
- Improving activity levels in our core markets continued through Q1 and we were pleased to deliver quarter-on-quarter UK NFI growth of 9% versus Q4. UK NFI in Q2 was 2% higher than Q1 affected by lower activity over Christmas period
- Encouraging signs of recovery demonstrated by our key operational metrics:
  - 6% increase in contractors since 1 January 2021 to date
  - 84% increase in average daily new permanent starters since 1 January 2021 to date
- Robust balance sheet with Group having adjusted net cash position of £22.7m at 31 January 2021 (31 January 2020: £(3.1)m net debt) reflecting focus on reducing net debt over last three years
- Revolving Credit Facility repaid early in October 2020; Group is now covenant free

Improvement Plan

- Group restructuring completed in October 2020, realising annualised savings of £4m, appropriate cost management along with the restructuring has contributed to the H1 2021 underlying PBT of £0.4m
- As market demand improves we are making targeted headcount investment in those markets offering the best opportunity for returns, with consultant hiring underway and will be further accelerated in Q4 2021
- Global technology platform upgrade nearing completion (April 2021). The Primary Business Systems ("PBS") replaces legacy systems and will provide a fully integrated and flexible centralised system across the Group

Outlook

Whilst the pace of the recovery remains uncertain, we are seeing more encouraging signs in the market and improving activity rates. Over the coming year we will continue to invest in our people and technology, and the Board remains confident on the outlook for the business. Full year 2021 underlying PBT expected to be in line with market expectations.

Commenting on the results, Kevin Freeguard, Chief Executive Officer said:
"We have been encouraged by the resilience the business has shown over the first half, and we are pleased with the continued progress made to reposition the business, through the acceleration of our Group wide Improvement Plan. Our ability to flex our costs has been an important element in offsetting the reduction in NFI.

Gattaca's focus on STEM skills and Contract staffing, combined with the resilience of our core markets, including Infrastructure and Defence, together with our strong cash position underpins our strength and positions us well for growth. We are seeing more encouraging signs in the market and improving activity rates, and over the coming year we will continue to invest in our people and technology, and I remain very confident on the outlook for the business.

It is now over a year since this pandemic took hold presenting unparalleled challenges for people in their business and personal lives, and the way our staff have risen to these gives me immense pride. I would like to thank them for their continued dedication, resilience and hard work."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

The following footnotes apply, unless where otherwise indicated, throughout these Interim Results:
1. *NFI is calculated as revenue less contractor payroll costs*
2. *Continuing underlying results exclude the NFI and trading* losses *before taxation of discontinued businesses being operations in China, the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as operations in Dubai, Malaysia and Qatar (2021 H1: £(0.0)m, 2020 H1 restated: £(1.5)m), non-underlying items within administrative expenses in 2021 H1 primarily related to reversal of restructuring costs provided for at 31 July 2020 (2021 H1: £(0.2)m, 2020 H1: £0.1m), amortisation of acquired intangibles (2021 H1: £0.2m, 2020 H1: £0.3m), and exchange losses from revaluation of foreign assets and liabilities (2021 H1: £(0.3)m, 2020 H1 restated: £(1.5)m).*
3. *Included within Net Cash / (Debt) are Capitalised Financing costs (31 January 2021: £0.0m, 31 July 2020: £0.2m)*

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Operational Performance

UK Engineering (64% of underlying NFI)

Underlying NFI	2021 H1 £'m	2020 H1 £'m	Change %
Contract	10.8	15.0	(28.4)
Permanent	2.8	5.2	(33.8)
Total	13.6	20.2	(33.1)

UK Engineering was down 33% on H1 2020, reflecting the ongoing impact of the Covid-19 pandemic on demand. Our contract bias provided some resilience to the trading environment.

The Infrastructure business NFI within UK Engineering was also down 33% year on year. Infrastructure remains our largest business unit and is underpinned by the longevity of our client relationships and the long term nature of their projects with increased UK government spending commitments under the "Build back better" initiative.

In Energy, the renewable energy market has been an area where demand has remained strong, as a result the Energy business has been least affected with NFI down 12% on H1 2021.

Demand has been most impacted within our Aerospace, Auto and Maritime business units with NFI down 59% on the same period last year as a result of reductions in end customer demand impacting the supply chain.

UK Technology (24% of underlying NFI)

Underlying NFI	2021 H1 £'m	2020 H1 £'m	Change %
Contract	4.2	6.5	(37.4)
Permanent	0.9	1.4	(33.6)
Total	5.1	7.9	(36.7)

UK technology was down 37% on H1 2020. In the second quarter the Technology business returned to growth quarter on quarter and we anticipate that trend to continue through H2 2021. Technology skills remain a key growth driver across all our markets, and we see strong demand for development and cloud skills, further improving throughout 2021.

As of 1 August 2020 we have reclassified our Engineering Technology business unit to sit under the leadership and direction of UK Technology (previously under Engineering), reflecting the growing importance of the market convergence between traditional engineering and IT skill sets, and ensuring consistency across the full technology stack.

International (12% of underlying NFI)

Underlying NFI	2021 H1 £m	2020 H1) (restated) £m	Change %
Contract	0.9	1.3	(30.8)
Permanent	1.5	2.4	(34.6)
Total	2.4	3.7	(33.2)

International operations NFI was down 33% on H1 2020 at £2.4m. Our international operations have been impacted by Covid-19 with specific country approaches affecting each market and geography, as NFI has declined we have sought to take mitigating cost actions.

Group Contractor and Permanent mix

Our sales mix remained relatively stable with Contract Fees accounting for 75% of continuing underlying NFI in H1 2021 (restated H1 2020: 72%). During the period of H1 there was a consistent growth in our contractor base ending the period with approximately 5,300 contractors (February pre Pandemic 7,200).

Permanent Fees accounted for 25% of continuing underlying NFI in H1 2021 (restated H1 2020: 28%). There was reduced demand for permanent hires in our contingent business, however our Solutions business continued to perform well and during the period added another RPO client.

People

Gattaca's permanent FTE headcount at 31 January 2021 was 477, a reduction of 204 from 31 January 2020. The ratio of sales to support staff was 70:30, compared to the ratio of 73:27 at 31 January 2020.

Improvement Plan

- Group restructure completed in October 2020, realising annualised savings of £4m, appropriate cost management along with the restructuring has contributed to the H1 2021 underlying PBT of £0.4m
  - Following the successful completion of the Group restructuring in October 2020, it was no longer necessary for us to continue to use the Government Job Retention Scheme
- As market demand improves we are making targeted headcount investment in those markets offering the best opportunity for returns, with consultant hiring underway and will be further accelerated in H2 2021
- Global technology platform upgrade nearing completion. The Primary Business Systems ("PBS") replaces legacy systems and will provide a fully integrated and flexible centralised system across the Group:
  - Our Resourcing Solutions ("RSL") subsidiary went Live in October 2020 and subsequently Spain and South Africa have also gone onto the platform
  - Full Go Live in April 2021 for the remainder of the business

Financial Overview

Revenue for the period of £206.5m (H1 2020: £297.6m) was 31% down year on year, on a continuing basis.
NFI of £21.1m represented a 34% year on year decline on a continuing basis. Contract NFI margin of 7.9% (2020 H1: 7.9%) was consistent with the prior year.
Continuing underlying EBITDA for the period at £2.0m (restated H1 2020: £5.7m) was 66% lower than H1 2020 on a continuing reported basis. This reflects the decline in NFI from both UK and International operations, as a result of the impact of Covid-19, with a 27% decline in the administrative cost base partly mitigating the impact of the decline in NFI.

On a continuing underlying basis the effective tax rate was 21% (restated H1 2020: 27.4%). The Group's continuing underlying effective tax rate reported at 31 July 2020 was 27.7%.

Basic underlying earnings per share from continuing operations were 1.1p (restated H1 2020: 7.4p) and adjusted underlying diluted earnings per share from continuing operations were 1.1p (restated H1 2020: 7.2p).

Administrative costs

Underlying administrative costs of £20.3m (restated H1 2020: £27.7m) reduced by 27% on prior year, as we proactively managed the cost base and group headcount in response to the reduction in NFI. In October 2020 we completed a restructure which realised £4m of annualised savings and increased operational effectiveness. During the period we received payments from the UK Government Job Retention Scheme totalling £0.5m, having ended our participation in the scheme following the successful completion of the Group restructuring in October 2020. A detailed breakdown of the reduction in administrative costs is shown below:

	£m
H1 2020 continuing underlying administrative costs	**27.7**
UK staff restructuring	(2.0)
Staff furlough benefit	(0.5)
International operating cost savings	(1.3)
Sales commission and incentive	(1.9)
Consultancy fees	(0.4)
Travel, subsistence and entertaining	(0.5)
Property and admin costs	(0.3)
Depreciation and software amortisation	(0.5)
H1 2021 continuing underlying administrative costs	**20.3**

Non-underlying costs and discontinued operations

The continuing non-underlying (credit) / costs in H1 2021 of £(0.2)m (restated H1 2020: £0.1m), were credits related to the group restructuring completed in October 2020 as a result of lower than anticipated staff exit costs.

In our 2020 full year accounts, China was classified within discontinued operations. Profit / (loss) before tax in H1 2021 for all discontinued operations was £(0.0) million (restated H1 2020: £(1.5)m).

Financing costs

Net financing costs of £0.7m (H1 2020 £2.3m) were £1.6m lower primarily due to a £1.1m decrease in foreign exchange impacts on translation of foreign currency balances within local entities (treated as non-underlying) compared to prior year. Bank interest payable was £0.5m lower due to the lower average net debt balance through the period compared to H1 2020 and the benefit of reduced borrowing costs following the repayment of the revolving Credit Facility in October 2020.

Debtors, cash flow, net debt and financing

Net cash at 31 January 2021 was £15.8m (31 July 2020: £19.6m; 31 January 2020: net debt £(12.7)m). Adjusted Net cash (net cash excluding IFRS 16 lease liabilities) was £22.7m (31 July 2020: £27.3m; 31 January 2020: net debt £(3.1)m) at the period end. Our cash balances included £10.2m of deferred VAT payments to HMRC, this will be repaid in 11 equal instalments commencing March 2021.

Our Days Sales Outstanding ('DSO'), stands at 43 days, compared to 41 days at 31 July 2020 and 39 days at 31 Jan 2020. Our DSO calculation includes £12.2m of trade receivables transferred to HSBC but on whose behalf we perform collection services. The increase from July 2020 was as a result of our mix of clients.

Capital expenditure in the period of £0.9m (2020 H1: £1.2m) was primarily investment in software related to our Primary Business Systems initiative where we are replacing our in-house built legacy systems with fully integrated industry leading third party systems which will enhance the data flow and performance management across the entire group. Following the substantial investment program, and given that the PBS program is almost at completion, we expect the capital expenditure to moderate to more normal levels in H2 and 2022.

On 27 October 2020, the Group repaid its £15m Revolving Credit Facility (RCF) in full and cancelled the facility, as a result the Group no longer has any covenant obligations. The only source of borrowing within the Group is now a £75m Invoice Financing Facility split between a recourse and a non-recourse basis, the non-recourse element of which is not recognised as Group debt under IFRS.

Dividend

The Board is mindful of the importance of dividends to shareholders. We will review the dividend in our full year results depending on the pace of the recovery. We are committed as a Board to restoring the dividend at the earliest opportunity.

Risks

The Board considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigations were disclosed on pages 48 to 53 of the Annual Report for the year ended 31 July 2020.

We continue to manage a number of potential risks and uncertainties including contingent liabilities as noted in the interim accounts - many of which are common to other similar businesses - which could have a material impact on our longer-term performance.

Outlook

Whilst the pace of the recovery remains uncertain, we are seeing more encouraging signs in the market and improving activity rates. Over the coming year we will continue to invest in our people and technology, and the Board remains confident on the outlook for the business. Full year 2021 underlying PBT expected to be in line with market expectations.

Condensed Consolidated Income Statement

For the period ended 31 January 2021

	Note	6 months to 31/01/21 *unaudited* Total £'000	Restated 6 months (1) to 31/01/20 *unaudited* Total £'000	12 months to 31/07/20 Total £'000
Continuing Operations				
Revenue	2	**206,534**	297,551	538,651
Cost of sales		**(185,418)**	(265,718)	(484,375)
Gross profit	2	**21,116**	31,833	54,276
Administrative expenses (2)		**(20,340)**	(28,149)	(50,914)
Profit from continuing operations	2	**776**	3,684	3,362
Finance income		**32**	51	91
Finance cost		**(702)**	(2,377)	(2,016)
Profit before taxation		**106**	1,358	1,437
Taxation	5	**(38)**	(649)	(866)
Profit after taxation from continuing operations		**68**	709	571
Discontinued operations				
Loss for the period from discontinued operations (attributable to equity holders of the Company)		**(30)**	(1,358)	(2,352)
Profit/(loss) for the period		**38**	(649)	(1,781)

(1) 6 months to January 2020 figures have been restated for the presentation of discontinued operations following the announcement of withdrawal from China on 9 March 2020.

(2) Administrative expenses from continuing operations includes net impairment losses on trade receivables and accrued income of £492,000 (6 months to 31 January 2020: £630,000 and 12months to 31 July 2020 £2,716,000).

Profit/(loss) for the period for 31 January 2021, 31 January 2020 and the year for 31 July 2020 are wholly attributable to equity holders of the Parent.

Earnings per ordinary share	Note	31/01/21 pence	31/01/20 pence	31/07/20 pence
Basic earnings per share	6	**0.1**	(2.0)	(5.5)
Diluted earnings per share	6	**0.1**	(1.9)	(5.5)

Reconciliation to adjusted profit measures

Underlying profit is the Group's key adjusted profit measure; profit from continuing operations is adjusted to exclude non-underlying income and expenditure as defined in the Group's accounting policy, amortisation and impairment of goodwill and acquired intangibles, impairment of leased right-of-use assets and net foreign exchange gains or losses.

	6 months to 31/01/21 *unaudited* Total £'000	Restated 6 months (1) to 31/01/20 *unaudited* Total £'000	12 months to 31/07/20 Total £'000
Profit from continuing operations	**776**	**3,684**	**3,362**
Add			
Depreciation of property, plant and equipment, depreciation of leased right-of-use assets and amortisation of software and software licences	**1,191**	1,540	3,245
Non-underlying items included within administrative expenses	**(197)**	148	1,248

Amortisation and impairment of goodwill and acquired intangibles and impairment of leased right-of-use assets	**193**	313	1,382
Underlying EBITDA	**1,963**	**5,685**	**9,237**
Less			
Depreciation and impairment of property, plant and equipment, leased right-of-use assets and amortisation of software and software licenses	**(1,191)**	(1,540)	(3,245)
Net finance costs excluding foreign exchange gains and losses	**(330)**	(863)	(1,404)
Underlying profit before taxation	**442**	**3,282**	**4,588**
Underlying taxation	**(93)**	(899)	(1,271)
Underlying profit after taxation from continuing operations	**349**	**2,383**	**3,317**

(1) 6 months to January 2020 figures have been restated for the presentation of discontinued operations following the announcement of withdrawal from China on 9 March 2020.

Condensed Consolidated Statement of Comprehensive Income
For the period ended 31 January 2021

	6 months to 31/01/21 *unaudited* Total £'000	6 months to 31/01/20 *unaudited* Total £'000	12 months to 31/07/20 Total £'000
Profit/(loss) for the period	**38**	(649)	(1,781)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	**12**	(294)	(1,091)
Other comprehensive income/(loss) for the period	**12**	(294)	(1,091)
Total comprehensive profit/(loss) for the period attributable to equity holders of the parent	**50**	(943)	(2,872)

	6 months to 31/01/21 *unaudited* £'000	Restated 6 months (1) to 31/01/20 *unaudited* £'000	12 months to 31/07/20 £'000
Attributable to:			
Continuing operations	**282**	844	(172)
Discontinued operations	**(232)**	(1,787)	(2,700)
	50	(943)	(2,872)

(1) 6 months to January 2020 figures have been restated for the presentation of discontinued operations following the announcement of withdrawal from China on 9 March 2020.

Condensed Consolidated Statement of Changes in Equity
For the period ended 31 January 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Treasury shares reserve £'000	Retained earnings (1) £'000	Total £'000
At 1 August 2019 as per originally presented	323	8,706	28,750	753	944	(140)	2,571	41,907
Adjustment on initial application of IFRS 16, net of tax	-	-	-	-	-	-	770	770
Restated total equity at 1 August 2019	323	8,706	28,750	753	944	(140)	3,341	42,677
Loss for the period	-	-	-	-	-	-	(649)	(649)
Other comprehensive loss	-	-	-	-	(294)	-	-	(294)
Total comprehensive loss	-	-	-	-	(294)	-	(649)	(943)
Deferred tax movement in respect of share options	-	-	-	-	-	-	1	1
Share-based payments charge	-	-	-	58	-	-	-	58

Share-based payments reserve transfer	-	-	-	(81)	-	-	81	-
Issue of treasury shares to employees	-	-	-	-	-	32		32
Transactions with owners	-	-	-	(23)	-	32	82	91
Balance at 31 January 2020	323	8,706	28,750	730	650	(108)	2,774	41,825
At 1 August 2019 as per originally presented	323	8,706	28,750	753	944	(140)	2,571	41,907
Adjustment on initial application of IFRS 16, net of tax	-	-	-	-	-	-	770	770
Restated total equity at 1 August 2019	323	8,706	28,750	753	944	(140)	3,341	42,677
Loss for the period	-	-	-	-	-	-	(1,781)	(1,781)
Other comprehensive loss	-	-	-	-	(1,091)	-	-	(1,091)
Total comprehensive loss	-	-	-	-	(1,091)	-	(1,781)	(2,872)
Deferred tax movement in respect of share options	-	-	-	-	-	-	(16)	(16)
Reversal of share-based payments charge	-	-	-	(60)	-	-	-	(60)
Share-based payments reserve transfer	-	-	-	(167)	-	-	167	-
Issue of treasury shares to employees	-	-	-	-	-	43	-	43
Transactions with owners	-	-	-	(227)	-	43	151	(33)
			-					
Balance at 31 July 2020	323	8,706	28,750	526	(147)	(97)	1,711	39,772
At 1 August 2020	**323**	**8,706**	**28,750**	**526**	**(147)**	**(97)**	**1,711**	**39,772**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**38**	**38**
Other comprehensive income	**-**	**-**	**-**	**-**	**12**	**-**	**-**	**12**
Total comprehensive income	**-**	**-**	**-**	**-**	**12**	**-**	**38**	**50**
Deferred tax movement in respect of share options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments charge	**-**	**-**	**-**	**28**	**-**	**-**	**-**	**28**
Share-based payments reserve transfer	**-**	**-**	**-**	**(71)**	**-**	**-**	**71**	**-**
Issue of treasury shares to employees	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**17**
Transactions with owners	**-**	**-**	**-**	**(43)**	**-**	**17**	**71**	**45**
Balance at 31 January 2021	**323**	**8,706**	**28,750**	**483**	**(135)**	**(80)**	**1,820**	**39,867**

(1) Retained earnings as at 31 January 2020 have been restated to reflect the deferred tax impact on transition to IFRS 16 on 1 August 2019.

Condensed Consolidated Statement of Financial Position

As at 31 January 2021

	Note	31/01/21 unaudited £'000	Restated (1) 31/01/20 unaudited £'000	31/07/20 £'000
Non-current assets				
Goodwill and intangible assets	7	**13,512**	12,446	12,877
Property, plant and equipment		**1,332**	2,924	1,492
Right-of-use assets	10	**6,683**	8,776	7,338
Investments		**19**	-	19
Total non-current assets		**21,546**	24,146	21,726
Current assets				
Trade and other receivables	8	**45,539**	59,017	48,888
Cash and cash equivalents	13	**27,082**	19,350	34,796
Total current assets		**72,621**	78,367	83,684
Total assets		**94,167**	102,513	105,410
Non-current liabilities				
Deferred tax liabilities		**(134)**	(146)	(277)
Provisions		**(1,522)**	(1,723)	(2,558)
Lease liabilities	10	**(5,056)**	(2,066)	(5,746)
Bank loans and borrowings	9	**-**	(9,696)	(7,304)
Total non-current liabilities		**(6,712)**	(13,631)	(15,885)
Current liabilities				
Trade and other payables		**(40,136)**	(25,040)	(46,129)
Provisions		**(751)**	-	(236)
Current tax liabilities		**(454)**	(1,692)	(1,247)
Lease liabilities	10	**(1,909)**	(7,596)	(1,990)
Bank loans and borrowings	9	**(4,338)**	(12,729)	(151)
Total current liabilities		**(47,588)**	(47,057)	(49,753)
Total liabilities		**(54,300)**	(60,688)	(65,638)
Net assets		**39,867**	41,825	39,772

Equity				
Share capital	11	**323**	323	323
Share premium		**8,706**	8,706	8,706
Merger reserve		**28,750**	28,750	28,750
Share-based payment reserve		**483**	730	526
Translation reserve		**(135)**	650	(147)
Treasury shares reserve		**(80)**	(108)	(97)
Retained earnings		**1,820**	2,774	1,711
Total equity		**39,867**	41,825	39,772

The accompanying notes are an integral part of these interim Financial Statements.

[1] Retained earnings and deferred tax liabilities as at 31 January 2020 have been restated to reflect the deferred tax impact on transition to IFRS 16 on 1 August 2019.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 January 2021

	6 months to 31/01/21 *unaudited* Total £'000	6 months to 31/01/20 *unaudited* Total £'000	12 months to 31/07/20 Total £'000
Cash flows from operating activities			
Profit/(loss) after taxation	**38**	(649)	(1,781)
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of goodwill and intangible assets	**431**	932	1,831
Depreciation of leased right-of-use assets	**953**	924	2,041
Non-cash adjustment from adoption of IFRS 16	**-**	651	-
Profits from sale of subsidiary, associate, or investment	**-**	(304)	(304)
Loss on disposal of property, plant and equipment	**27**	-	52
Impairment of goodwill and acquired intangibles and right-of-use assets	**-**	-	766
Interest income	**(32)**	(51)	(91)
Interest costs	**594**	2,384	1,936
Taxation expense recognised in Income Statement	**34**	473	598
Decrease in trade and other receivables	**2,958**	37,677	47,537
(Decrease)/increase in trade and other payables	**(6,009)**	(15,636)	5,453
(Decrease)/increase in provisions	**(547)**	(191)	1,085
Share-based payment charge	**86**	58	77
Cash (used in)/generated from operations	**(1,467)**	26,268	59,200
Interest paid	**(83)**	(752)	(1,052)
Interest on lease liabilities	**(82)**	(120)	(214)
Interest received	**32**	51	91
Income taxes paid	**(1,048)**	(167)	(387)
Cash (used in)/generated from operating activities	**(2,648)**	25,280	57,638
Cash flows from investing activities			
Purchase of plant and equipment	**-**	(87)	(191)
Purchase of intangible assets	**(937)**	(1,173)	(2,348)
Purchase of investments	**-**	-	(19)
Proceeds from sale of subsidiary, associate, or investment	**-**	304	304
Cash used in investing activities	**(937)**	(956)	(2,254)
Cash flows from financing activities			
Lease liability principal repayment	**(1,046)**	(793)	(1,987)
Sales/(purchase) of treasury shares	**17**	32	(67)
Working capital facility including non-recourse facility withdrawn/ (repaid)	**4,572**	(16,390)	(28,968)
Finance costs paid	**-**	(222)	(223)
Repayment of term loan	**(7,500)**	(5,000)	(7,500)
Cash used in financing activities	**(3,957)**	(22,373)	(38,745)

Effects of exchange rates on cash and cash equivalents	**(172)**	(1,774)	(1,016)
(Decrease)/increase in cash and cash equivalents	**(7,714)**	177	15,623
Cash and cash equivalents at beginning of period	**34,796**	19,173	19,173
Cash and cash equivalents at end of period [(1)]	**27,082**	19,350	34,796

Net decrease in cash and cash equivalents for discontinued operations was £59,000 (6 months to 31 January 2020 restated: decrease of £1,188,000, year to 31 July 2020: decrease of £1,164,000).

(1) Included in Cash and cash equivalents is £1,558,000 of restricted cash (6 months to 31 January 2020: £894,000, year to 31 July 2020: £2,034,000) which meets the definition of cash and cash equivalents but is not available for use by the Group. These balances arise from the Group's non-recourse working capital arrangements, which were entered into in 2020 as explained in Note 9.

NOTES

Forming part of the financial statements

1. The Group and Company Significant Accounting Policies

The accounting policies applied in these condensed interim Financial Statements are consistent with those used in the preparation of the Group's consolidated Financial Statements for the year ended 31July 2020, as described in those annual Financial Statements, with the exception of policies, amendments and interpretations effective as of 1 August 2020 and other changes detailed below.

1.1 The Business of the Group

Gattaca plc ('the Company') and its subsidiaries (together 'the Group') is a human capital resources business providing contract and permanent recruitment services in the private and public Sectors. The Company is a public limited company, which is listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in England, United Kingdom. The Company's address is: 1450 Parkway, Solent Business Park Whiteley, Fareham, Hampshire, PO15 7AF. The registration number is 04426322.

1.2 Basis of preparation of the interim Financial Statements

These condensed consolidated interim Financial Statements are for the six months ended 31 January 2021. They have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual Financial Statements, and should be read in conjunction with the consolidated Financial Statements for the year ended 31 July 2020 which have been filed with the Registrar of Companies. The auditor's report on those Financial Statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

These condensed consolidated interim Financial Statements (the interim Financial Statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 1 August 2020 or are expected to be adopted and effective at 1 August 2020.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

1.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report of the 2020 annual report for Gattaca plc. Any significant changes are highlighted in the operational performance and financial overview of the interim results for the 6 months ending 31 January 2021.

There continues to be significant uncertainty regarding the ongoing potential future impact of the COVID-19 outbreak on our clients and resultant trading activity. We continue to monitor any changes and have regular management and monthly Board meetings to assess the situation. We have a wide spread of customers across multiple sectors but recognise that COVID-19 continues to impact many of our customers and contractors across many industries.

The majority of our staff have now been working remotely for over twelve months and there has not been any significant impact to our ability to operate effectively. The initial reduction in contractor numbers in April 2020, whilst impacting profitability, has resulted in reduced working capital requirements and has created further liquidity. The Group has also undertaken other actions, including an increase to the payment terms of certain contractors and these actions have created a permanent working capital benefit, and will reduce our working capital requirements during growth. We have seen early signs of minor extensions in debtor days as a result of the pandemic impact on trading at our clients and we continue to be alert for any sudden changes. There is sufficient headroom on our working capital facilities to absorb a level of extensions but we would also manage supply to the customer if payment within an appropriate period was not being made. A significant deterioration in payment terms would significantly impact the Group's liquidity. Our future cost base has also been significantly reduced following the larger scale UK redundancy programme completed in October 2020. Having repaid and cancelled the Revolving Credit Facility on 27 October 2020, the Group is now covenant free.

The Directors have prepared detailed cash flow forecasts to July 2023, covering a period of 28 months from the date of approval of these financial statements. This base case is drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. This conservative base case assumes a recovery of the UK business to 80% of pre-COVID-19 contract and permanent NFI by July 2021, with a further 86% recovery by July 2022 and 100% recovery by July 2023 years. Trading has been in line with this forecast since the year end.

The output of the base case forecasting process has been used to perform sensitivity analysis on the Group's cash flow to model the potential effects should principal risks actually occur either individually or in unison. The sensitivity analysis modelled scenarios in which the Group incurred a sustained loss of business arising from a prolonged global downturn as a result of the COVID-19 pandemic, with a slower recovery scenario considered. The Group has modelled the impact of a severe but plausible scenario including the delay in recovery to 80% of pre-COVID NFI from July 2021 to February 2022, and subsequent slow recovery to 95% of pre-COVID NFI by July 2023, as well as the impact of a subsequent 5 day deterioration in the recovery of customer receivables.

After making appropriate enquiries and considering the uncertainties described above, the Directors have a reasonable expectation at the time of approving these interim financial statements that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future. Following careful consideration the Directors do not consider there to be a material uncertainty with regards to going concern and consider it is appropriate to adopt the going concern basis in preparing the financial statements.

1.4 New standards and interpretations

The following are new standards or improvements to existing standards that are mandatory for the first time in the Group's accounting period beginning on 1 August 2020 and no new standards have been early adopted. The Group's January 2021 interim Financial Statements have adopted these amendments to IFRS:

- Amendment to IFRS 16, ' Leases' - Covid-19 related rent concessions (effective 1 June 2020).
- Amendment to IFRS 9, IAS39 and IFRS 7 - interest rate benchmark reform (effective 1 January 2020)

New standards in issue, not yet adopted

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but which are only effective for the Group accounting periods beginning on or after 1 August 2020. These new pronouncements are listed as follows:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)

The Directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on the Group's operations or results.

Forthcoming requirements

The following amendments are required for application for the Group's periods beginning after 1 August 2020 or later:

Standard		Effective date (annual period beginning on or after)
IAS 1 amendments	Classification of liabilities as current or non-current	1 January 2022
IAS 16 amendments	Property, plant and equipment proceeds before intended use	1 January 2022
IAS 37 amendments	Onerous contracts-cost of fulfilling a contract	1 January 2022
IAS 3 amendments	Reference to the conceptual framework	1 January 2022

1.5 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

1.6 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.

Temporary placements

Revenue from temporary, or contract, placements is recognised at the point in time when the candidate provides services, upon receipt of a client-approved timesheet or equivalent proof of time worked. Timing differences between the receipt of a client-approved timesheet and the raising of an invoice are recognised as accrued income. The Group has assessed its use of third party providers to supply candidates for temporary placements under the agent or principal criteria and has determined that it is the principal on the grounds that it retains primary responsibility for provision of the services.

A number of contractual rebate arrangements are in place in respect of volume and value of sales; these are accounted for as variable consideration reducing revenue and estimated in line with IFRS 15.

Any consideration payable at the start of contracts to customers is recognised as a prepayment and released to profit or loss over the terms of the contract it relates to, as a reduction to revenue.

Permanent placements

Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment which is the point at which the performance obligation of the contract is considered met. Some permanent placements are subject to a 'claw-back' period whereby if a candidate leaves within a set period of starting employment, the customer is entitled to a rebate subject to the Group's terms and conditions. Provisions as a reduction to revenue are recognised for such arrangements if material. In addition, a number of contractual rebate arrangements are in place in respect of volume and value of sales; these are accounted for as variable consideration reducing revenue and estimated in line with IFRS 15.

Other

Other revenue streams are generated from provision of engineering services and other fees. Revenue from the provision of engineering services is recognised either over a period of time when the performance obligations are satisfied over the course of project milestones or at a point in time upon receipt of client-approved timesheets. Other fees mainly relate to relate to account management fees for providing recruitment services. Revenue from other fees is recognised on confirmation from the client committing to the agreement and either at a point in time or over time in accordance with terms of each individual agreement as performance obligations are met

1.7 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to operating activities.

Government grants are recognised when there is a reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received. They are recognised in the consolidated Income Statement on a systematic basis over the periods in which the related costs that they compensate are recognised as expenses.

Grants are either presented as grant income or deducted in reporting the related expense they compensate in the Income Statement.

1.8 Non-underlying items

Non-underlying items are income or expenditure that are considered unusual and separate to underlying trading results 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 proper understanding of the Group's business performance.

Items which are included within this category include but are not limited to:

- costs of acquisitions;
- integration costs following acquisitions; and
- material restructuring costs including related professional fees and staff costs.

In addition, the Group also excludes from underlying results amortisation and impairment of goodwill and acquired intangibles, impairment of leased right-of-use assets and net foreign exchange gains or losses.

Specific adjusting items are included as non-underlying based on the following rationale:

Item	Distorting due to irregular nature year on year	Distorting due to fluctuating nature (size)	Does not reflect in-year operational performance of continuing business
Costs of acquisitions	✓	✓	✓
Integration costs following acquisitions	✓		✓
Material restructuring costs		✓	✓
Amortisation and impairment of goodwill and acquired intangibles	✓	✓	✓
Impairment of leased right-of-use assets	✓	✓	✓
Net foreign exchange gains and losses		✓	✓
Tax impact of the above	✓	✓	✓

1.9 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 33.3%	Straight line
Leasehold improvements	Over the period of the lease term	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

1.10 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 impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is allocated to cash-generating units, being the lowest level at which goodwill is monitored. The carrying value of the assets of the cash-generating unit, including goodwill, intangible and tangible assets and working capital balances, is compared to its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any excess in carrying value over recoverable amount is recognised immediately as an impairment 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.

1.11 Intangible assets

Customer relationships
Customer relationships comprise principally of existing customer relationships which may give rise to future orders (customer relationships), and existing order books. They are recognised at fair value at the acquisition date, and subsequently measured at cost less accumulated amortisation and impairment. Customer relationships are determined to have a useful life of ten years and are amortised on a straight-line basis.

Trade names and trademarks
Trade names and trademarks have either arisen on the consolidation of acquired businesses or have been separately purchased and are recognised at fair value at the acquisition date. They are subsequently measured at cost less accumulated amortisation and impairment. Trade names and trademarks are determined to have a useful life of ten years and are amortised on a straight-line basis.

Software and 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. Subsequent licence renewals are expensed to profit or loss as incurred. Software licences are stated at cost less accumulated amortisation and impairment.

Internally generated intangible assets
Development costs that are directly attributable to the design and testing of identifiable and unique software products are capitalised as part of internally generated software and include employee costs and professional fees attributable to the development of the asset. Other expenditure that does not meet these criteria is recognised as an expense to profit or loss as incurred. Software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives of between two and ten years.

Expenditure on internally generated brands and other intangible assets is expensed to profit or loss as incurred.

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

Amortisation of intangible assets and impairment losses are recognised in profit or loss within administrative expenses.

Intangible assets are tested for impairment either as part of a goodwill-carrying cash-generated unit, or when events arise that indicate an impairment may be triggered. Provision is made against the carrying value of an intangible asset where an impairment is deemed to have occurred. Impairment losses on intangible assets are recognised in the income statement under administrative expenses.

1.12 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 at the time of disposal.

1.13 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17 and IFRIC 14.

The Group leases office property, motor vehicles and equipment. Rental contracts range from monthly to eight years.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts may contain both lease and non-lease components, and consideration is allocated in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis at the lease commencement date. Lease liabilities include the net present value of the fixed payments less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the group under residual value guarantees, the exercise price of any purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease if that option is expected to be taken.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are discounted at either the interest rate implicit in the lease or when this interest rate cannot be readily determined, the Group's incremental borrowing rate associated with a similar asset. When calculating lease liabilities, the Group uses its incremental borrowing rate, being the rate it would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic climate with similar terms, security and conditions. This is estimated using publicly available data adjusted for changes specific to the lease in financing conditions, lease term, country and currency.

The Group does not have leases with variable lease payments based on an index or rate.

Extension or termination options are included in a number of the Group's leases. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise, or not to exercise, an option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise (or not to exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs that is within the control of the Group.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease with depreciation expense recognised in the income statement.

Lease modifications are a change in scope of a lease that was not part of the original lease. Any change that is triggered by a clause already part of the original lease contract is a re-assessment and not a modification. Changes to lease cash flows as part of a re-assessment result in a re-measurement of the lease liability using an updated discount rate and a corresponding adjustment to the carrying value of the right-of-use asset.

Advantage has been taken of the practical expedients for exemptions provided for leases with less than 12 months to run, for leases of low value, to account for leases with similar characteristics as a portfolio with a single discount rate and to present existing onerous lease provisions against the carrying value of right-of-use assets. Payments associated with short-term leases and leases of low value are recognised on a straight-line basis as an expense in profit or loss.

1.14 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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 for if these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to the offset and there is an intention to settle balances on a net basis.

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.

1.15 Pension costs

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in other creditors in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

1.16 Share-based payments

All share-based remuneration is ultimately recognised as an expense in the Income Statement with a corresponding credit to the 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 two long-term incentive share option plans. The Zero Priced Share Option Bonus covers all share options issued with an exercise price of £0.01; the Long-Term Incentive Plan Options have an exercise price above £0.01. Grants under both categories have been made as part of a CSOP scheme, depending on the terms of specific grants.

The Group also operates a Share Incentive Plan ('SIP'), the Gattaca plc Share Incentive Plan ('The Plan'), which is approved by HMRC. The Plan is held by Gattaca plc UK Employee Benefit Trust ('the EBT'), the purpose of which is to enable employees to purchase Company shares out of pre-tax salary. For each share purchased the Group 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. The assets and liabilities of the EBT are included in the Gattaca Plc Consolidated Statement of Financial Position.

1.17 Financial instruments

Financial assets
IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Under IFRS 9, all financial assets are measured at either amortised cost, fair value through profit and loss ('FVTPL') or fair value through other comprehensive income ('FVOCI').

Financial assets: debt instruments
The Group classifies its debt instruments in the following measurement categories depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

(i) those to be measured subsequently at fair value through other comprehensive income (OCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the Income Statement.

(ii) those to be measured subsequently at FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/ (losses) in the year in which it arises.

(iii) those to be measured subsequently at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the Income Statement.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets: equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets
IFRS 9 require the application of the 'Expected Credit Loss' model ('ECL'). This applies to all financial assets measured at amortised cost or FVOCI, except equity investments.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI.

The Group has reviewed each category of its financial assets to assess the level of credit risk and ECL provision to apply:

- Trade receivables: the Group has chosen to take advantage of the practical expedient in IFRS 9 when assessing default rates over its portfolio of trade receivables, to estimate the ECL based on historical default rates specific to groups of customers by industry and geography that carry

- similar credit risks. Separate ECL's have been modelled for UK customers in different industries, and customers in the Americas, Europe, Asia and Africa.
- Accrued income is in respect of temporary placements where a client-approved timesheet has been received or permanent placements where a candidate has commenced employment, but no invoice has been raised. Default rates have been determined by reference to historical data.
- Cash and cash equivalents are held with established financial institutions. The Group has determined that based on the external credit ratings of counterparties, this financial asset has a very low credit risk and that the estimated expected credit loss provision is not material.

At each reporting date, the expected credit loss provision will be reviewed to reflect changes in credit risk and historical default rates and other economic factors. Changes in the ECL provision are recognised in profit or loss.

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, cancelled or expires.

Non-recourse receivables factoring is not recognised as a financial liability as there is no contractual obligation to deliver cash; subsequently, the receivables are de-recognised and any difference between the receivable value and amount received through non-recourse factoring is recognised as a finance cost.

1.18 Cash and cash equivalents

In the Consolidated Cash Flow Statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Statement of Financial Position and Cash Flow Statement, bank overdrafts are netted against cash and cash equivalents where the offsetting criteria are met.

Cash in transit inbound from, or outbound to, a third party is recognised when the transaction is no longer reversible by the party making the payment. This is determined to be in respect of all electronic payments and receipt transactions that commence before or on the reporting date and complete within one business day after the reporting date.

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for wider use by the Group. These balances arise from the Group's non-recourse working capital arrangements.

1.19 Provisions

Provisions are recognised where the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

1.20 Dividends

Dividend distributions payable to equity shareholders are included in 'other short term financial liabilities' when the dividends are approved in general meeting prior to the financial position date.

1.21 Foreign currencies

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The consolidated Financial Statements are presented in 'currency' (GBP), which is the Group's presentation currency.

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. Income and expenses are translated at the actual rate.

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 Income Statement in the year 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.

The individual Financial Statements of each Group company are presented in its functional currency. On consolidation, the assets and liabilities of overseas subsidiaries, including any related goodwill, are translated to Sterling at the rate of exchange at the balance sheet date. The results and cash flows of overseas subsidiaries are translated to Sterling using the average rates of exchange during the period. Exchange adjustments arising from the re-translations of the opening net investment and the results for the period to the period end rate are accounted for in the translation reserve in the statement of Comprehensive Income. On divestment, these exchange differences are reclassified from the translation reserve to the Income Statement.

1.22 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;

- '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 share consideration on the acquisition of Networkers International plc;
- 'Share-based payment reserve' represents equity-settled share-based employee remuneration until such share options are exercised or lapse;
- 'Translation reserve' represents the foreign currency differences arising on translating foreign operations into the presentational currency of the Group;
- 'Treasury shares reserve' represents Company shares purchased directly by the Group to satisfy obligations under the employee share plan;
- 'Retained earnings' represents retained profits.

1.23 Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements
The Directors are of the opinion there are no critical accounting judgements.

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 that carry a risk of causing a material adjustment within the next 12 months are discussed below:

ECL provisions in respect of trade receivables
The Group's policy for default risk over receivables is based on the on-going evaluation of the credit risk of its trade receivables. Estimation is used in assessing the ultimate realisation of these receivables, including reviewing the potential likelihood of default, the past collection history of each customer, any insurance coverage in place and the current economic conditions. As a result, expected credit loss provisions for impairment of trade receivables have been recognised, as discussed in Note 8. The impact of COVID-19 has been incorporated into these estimates.

Valuation of goodwill and intangible assets
Goodwill and intangible assets (including acquired intangibles) are tested for impairment on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimate to be made of the recoverable amount of the cash-generating unit to which the assets are allocated, including forecasting future cash flows of each cash-generating unit and forming assumptions over the discount rate and long-term growth rate applied. The impact of COVID-19 has been reflected in the forecast future cash flows.

2 Segmental information

An operating segment, as defined by IFRS 8 'Operating segments', is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The Group is managed through its three reporting segments, UK Engineering, UK Technology and International, which form the operating segments on which the information below is prepared. The Group determines and presents operating segments based on the information that is provided internally to the chief operating decision maker, which has been identified as the Board of Directors of Gattaca plc.

6 months to 31 January 2021 ***unaudited***

All amounts in £'000	**UK Engineering**	**UK Technology**	**International**	**Continuing underlying operations**	**Non-underlying items**	**Discontinued operations**	**Group Total**
Revenue	**120,676**	**78,589**	**7,269**	**206,534**	**-**	**(53)**	**206,481**
Gross profit	**13,555**	**5,109**	**2,452**	**21,116**	**-**	**(60)**	**21,056**
Operating contribution	**6,981**	**1,910**	**782**	**9,673**	**-**	**(11)**	**9,662**
Depreciation, impairment and amortisation	**(625)**	**(383)**	**(183)**	**(1,191)**	**(193)**	**-**	**(1,384)**
Central overheads	**(4,882)**	**(1,381)**	**(1,447)**	**(7,710)**	**197**	**(132)**	**(7,645)**
Profit/ (loss) from operations	**1,474**	**146**	**(848)**	**772**	**4**	**(143)**	**633**
Finance (cost)/income, net				**(330)**	**(340)**	**108**	**(562)**
Profit/ (loss) before tax				**442**	**(336)**	**(35)**	**71**

The continuing non-underlying costs in H1 2021 of £197,000 were credits related to the group restructuring completed in October 2020 as a result of lower than anticipated staff exit costs.

6 months to 31 January 2020 ***unaudited/restated*** [(1)]
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All amounts in £'000	**UK Engineering**	**UK Technology**	**International**	**Continuing underlying operations**	**Non-underlying items**	**Discontinued operations**	**Group Total**
Revenue	193,703	94,375	9,473	297,551	-	352	297,903
Gross profit	20,256	7,904	3,673	31,833	-	403	32,236
Operating contribution	10,306	3,265	1,013	14,584	-	(160)	14,424
Depreciation, impairment and amortisation	(1,194)	(298)	(48)	(1,540)	(313)	(3)	(1,856)
Central overheads	(5,775)	(2,024)	(1,100)	(8,899)	(148)	(1,364)	(10,411)
Profit/ (loss) from operations	3,337	943	(135)	4,145	(461)	(1,527)	2,157
Finance cost, net				(863)	(1,463)	(7)	(2,333)
Profit/ (loss) before tax				3,282	(1,924)	(1,534)	(176)

Year to 31 July 2020 *restated* [1]

All amounts in £'000	UK Engineering	UK Technology	International	Continuing underlying operations	Non-underlying items	Discontinued operations	Group Total
Revenue	347,173	173,648	17,830	538,651	-	339	538,990
Gross profit	34,177	13,602	6,497	54,276	-	391	54,667
Operating contribution	20,913	7,061	1,300	29,274	-	(740)	28,534
Depreciation, impairment and amortisation	(2,509)	(628)	(108)	(3,245)	(1,382)	(11)	(4,638)
Central overheads	(13,065)	(4,773)	(2,199)	(20,037)	(1,248)	(1,949)	(23,234)
Profit/ (loss) from operations	5,339	1,660	(1,007)	5,992	(2,630)	(2,700)	662
Finance (cost)/income, net				(1,404)	(521)	80	(1,845)
Profit/ (loss) before tax				4,588	(3,151)	(2,620)	(1,183)

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

Geographical information

All amounts in £'000	Total Group Revenue 6 months to 31/01/21	Total Group Revenue 6 months to 31/01/20	Total Group Revenue 12 months to 31/07/20	Non-current Assets 6 months to 31/01/21	Non-current Assets 6 months to 31/01/20	Non-current Assets 12 months to 31/07/20
UK	**197,038**	285,066	515,869	**20,764**	23,407	21,051
Rest of Europe	**1,621**	1,810	3,469	**1**	3	1
Middle East and Africa	**729**	1,009	1,786	**344**	94	286
Americas	**7,093**	9,671	17,534	**437**	633	388
Asia Pacific	**-**	347	332	**-**	9	-
Total	**206,481**	297,903	538,990	**21,546**	24,146	21,726

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

[1] Since 1 August 2020, Eng Tech has been reclassed from UK Engineering segment to UK Technology segment. Therefore the July 20 and January 20 segmental disclosures have been restated to reflect this change. In addition, China has been restated from International to Discontinued in January 2020.

3 Revenue From Contracts With Customers

Revenue from contracts with customers is disaggregated by major service line and operating segment, as well as timing of revenue recognition as follows:

Major service lines - continuing underlying operations

6 months to 31/01/21	UK Engineering £'000	UK Technology £'000	International £'000	Total £'000
Temporary placements	**116,736**	**77,542**	**5,721**	**199,999**
Permanent placements	**2,809**	**948**	**1,544**	**5,301**
Other	**1,131**	**99**	**4**	**1,234**
Total	**120,676**	**78,589**	**7,269**	**206,534**

Restated 6 months to 31/01/20 [1]	UK Engineering £'000	UK Technology £'000	International £'000	Total £'000
Temporary placements	188,438	92,945	7,113	288,496
Permanent placements	5,246	1,428	2,360	9,034
Other	19	2	-	21
Total	193,703	94,375	9,473	297,551

Restated 12 months to 31/07/20 [1]	UK Engineering £'000	UK Technology £'000	International £'000	Total £'000
Temporary placements	339,004	171,150	13,678	523,832
Permanent placements	7,886	2,502	4,152	14,540
Other	283	(4)	-	279
Total	347,173	173,648	17,830	538,651

Timing of revenue recognition – continuing operations

6 months to 31/01/21	UK Engineering £'000	UK Technology £'000	International £'000	Total £'000
Point in time	**119,563**	**78,589**	**7,269**	**205,421**
Over time	**1,113**	**-**	**-**	**1,113**
Total	**120,676**	**78,589**	**7,269**	**206,534**

Restated 6 months to 31/01/20 [1]	UK Engineering £'000	UK Technology £'000	International £'000	Total £'000
Point in time	193,703	94,375	9,473	297,551
Over time	-	-	-	-
Total	193,703	94,375	9,473	297,551

Restated 12 months to 31/07/20 [1]	UK Engineering £'000	UK Technology £'000	International £'000	Total £'000
Point in time	346,890	173,648	17,830	538,368
Over time	283	-	-	283
Total	347,173	173,648	17,830	538,651

No single customer contributed more than 10% of the Group's revenues (2020: none). Revenue is recognised for each performance obligation over time based on the proportion of cost incurred to total forecast costs.

The Group has determined that its contract assets from contracts with customers are trade receivables and accrued income, and its contract liabilities are deferred income, which are set out below:

	6 months to 31/01/21 *unaudited* Total £'000	6 months to 31/01/20 *unaudited* Total £'000	12 months to 31/07/20 Total £'000
Trade receivables (Note 8)	**29,488**	41,537	27,703
Accrued income (Note 8)	**12,518**	13,589	15,900
Deferred income	**(803)**	82	(1,090)

Accrued income relates to the Group's right to consideration for temporary and permanent placements made but not billed by the year end. These transfer to trade receivables once billing occurs. All accrued income at a given reporting date is billed within the following financial year and is classified in current assets. Deferred income at a given reporting date is recognised as revenue in the following financial year once performance obligations are satisfied and is classified in current liabilities.

[1] Since 1 August 2020, Eng Tech has been reclassed from UK Engineering segment to UK Technology segment. Therefore the July 20 and January 20 segmental disclosures have been restated to reflect this change. In addition, China has been restated from International to Discontinued in January 2020.

4 Government Grants

Grant income recognised from government grants recognised in Cost of Sales and Administrative Expenses are as follows:

Continuing operations	6 months to 31/01/21 £'000	6 months to 31/01/20 £'000	12 months to 31/07/20 £'000
UK Government Coronavirus Job Retention Scheme grant income recognised in Cost of Sales for temporary workers	**43**	-	2,335
UK Government Coronavirus Job Retention Scheme grant income recognised in Administrative Expenses for employees	**458**	-	1,471
Total	**501**	**-**	3,806

As a response to the COVID-19 global pandemic, the Group made use of the UK Government's Coronavirus Job Retention Scheme (6 months to 31 January 2021: claim period is from August 2020 to November 2020, 12 months to 31 July 2020: claim period is from April 2020 to July 2020). Under this scheme, Her Majesty's Revenue & Customs (HMRC) provides UK companies with a non-refundable grant equivalent to a portion of wages, National Insurance contributions and pension contributions for employees and temporary workers who are retained in employment but placed on furlough. From 1 August 2021 National Insurance contributions and pension contributions are no longer eligible for claims. When considering temporary workers, the contractors employed by Gattaca's clients that Gattaca provides payroll services to and whose costs are recognised as Cost of Sales by Gattaca, are also considered eligible.

As the scheme is conditional upon the Group retaining its employees in employment, or the temporary contract workers being retained by their employers, whilst they are furloughed during the COVID-19 pandemic, it is designed to compensate companies for staff or temporary worker costs incurred. As all claims submitted for the period have either been received or are expected to be receivable, the Group considers the scheme meets the definition of a government grant as set out in IAS 20 and has accounted for it as such. For grants received or receivable for Gattaca's employees on furlough, the Group has presented the grant income as a deduction to staff costs presented in Administrative Expenses in the Income Statement; for grants received or receivable for temporary contract workers of Gattaca's clients on furlough, the Group has presented the grant income as a deduction to Cost of Sales.

5 Taxation

Analysis of charge in the period for continuing operations	6 months to 31/01/21 *unaudited* Total £'000	Restated 6 months [1] to 31/01/20 *unaudited* Total £'000	12 months to 31/07/20 Total £'000
Profit before tax for continuing operations	**106**	1,358	1,437
Profit before tax multiplied by the standard rate of corporate tax in the UK of 9% (31 January 2020: 18.3%, 31 July 2020: 19%)	**20**	249	273
Expenses not deductible for tax purposes and goodwill impairment loss	**3**	242	21
Income not taxable	**-**	(56)	-
Effect of share-based payments	**(4)**	4	70
Irrecoverable withholding tax	**1**	31	42
Overseas losses not recognised as deferred tax assets	**19**	113	610
Difference between UK and overseas tax rates	**1**	30	(143)
Adjustment to tax charge in respect of previous periods	**(2)**	36	(7)
Total taxation charge for the period for continuing operations	**38**	649	866
Total taxation credit for the period for discontinued operations	**(5)**	(176)	(268)

6 Earnings Per Share

Earnings per share (EPS) has been calculated by dividing the consolidated profit or loss 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. Share options are treated as dilutive when, at the reporting date, they would be issuable had the performance year ended at that date.

The Group has dilutive potential ordinary shares, being the LTIP and Zero-priced share options. The number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) is calculated based on the monetary value of the subscription rights attached to the outstanding share options.

The effect of potential ordinary shares are reflected in diluted EPS only when they are dilutive. Potential ordinary shares are considered dilutive when their inclusion in the calculation would decrease EPS, or increase the loss per share from continuing operations in accordance with IAS 33. This is regardless of whether the potential ordinary shares are dilutive for EPS from total operations. The effect of potential ordinary shares are considered to be dilutive for year ended 31 July 2020, 6 months to 31 January 2020 and 6 months to 31 January 2021 and therefore have been included in the calculation below. The diluted loss per share is lower than basic loss per share because of the effect of losses from discontinued operations.

There are no changes to the profit numerator as a result of the dilution calculation.

The earnings per share information has been calculated as follows:

Total earnings		6 months to 31/01/21 *unaudited* £'000	6 months to 31/01/20 *unaudited* £'000	12 months to 31/07/20 £'000
Total profit/(loss) attributable to ordinary share holders		**38**	(649)	(1,781)
Number of shares		**000's**	**000's**	**000's**
Basic weighted average number of ordinary shares in issue		**32,290**	32,285	32,285
Dilutive potential ordinary shares		**45**	1,039	68
Diluted weighted average number of shares		**32,335**	33,324	32,353
Total earnings per share		**pence**	**pence**	**pence**
Earnings per ordinary share	- Basic	**0.1**	(2.0)	(5.5)

	-	Diluted	**0.1**	(1.9)	(5.5)

Earnings for continuing operations	6 months to 31/01/21 £'000	Restated 6 months [1] to 31/01/20 £'000	12 months to 31/07/20 £'000
Total profit for period	**68**	709	571

Total earnings per share for continuing operations			6 months to 31/01/21 pence	Restated 6 months [1] to 31/01/20 pence	12 months to 31/07/20 pence
Earnings per ordinary share from continuing operations	-	Basic	**0.2**	2.2	1.8
	-	Diluted	**0.2**	2.1	1.8

Earnings for discontinuing operations	6 months to 31/01/21 £'000	Restated 6 months [1] to 31/01/20 £'000	12 months to 31/07/20 £'000
Total loss for the period	**(30)**	(1,358)	(2,352)

Total earnings per share for discontinuing operations			6 months to 31/01/21 pence	Restated 6 months [1] to 31/01/20 pence	12 months to 31/07/20 pence
Earnings per ordinary share from discontinuing operations	-	Basic	**(0.1)**	(4.2)	(7.3)
	-	Diluted	**(0.1)**	(4.1)	(7.3)

Earnings from continuing underlying operations	6 months to 31/01/21 £'000	Restated 6 months [1] to 31/01/20 £'000	12 months to 31/07/20 £'000
Total profit for the period	**349**	2,383	3,317

Total earnings per share for continuing underlying operations			6 months to 31/01/21 pence	Restated 6 months [1] to 31/01/20 pence	12 months to 31/07/20 pence
Earnings per ordinary share for continuing underlying operations	-	Basic	**1.1**	7.4	10.3
	-	Diluted	**1.1**	7.2	10.3

[1] 6 months to January 2020 figures have been rested for the presentation of discontinued operations following the announcement of withdrawal from China on 9 March 2020.

7 Intangibles

		Goodwill £'000	Customer Relationships £'000	Trade Names £'000	Other £'000	Software and software licenses £'000	Total £'000
Cost	At 1 August 2019	28,739	22,245	5,346	3,809	6,225	66,364
	Additions	-	-	-	-	1,173	1,173
	At 31 January 2020	28,739	22,245	5,346	3,809	7,398	67,537
	At 1 August 2019	28,739	22,245	5,346	3,809	6,225	66,364
	Additions	-	-	-	-	2,348	2,348
	At 31 July 2020	28,739	22,245	5,346	3,809	8,573	68,712
	Additions	**-**	**-**	**-**	**-**	**937**	**937**
	At 31 January 2021	**28,739**	**22,245**	**5,346**	**3,809**	**9,510**	**69,649**
Amortisation and impairment	At 1 August 2019	24,382	19,924	4,951	3,289	2,067	54,613
	Amortisation for the period	-	162	27	124	165	478
	At 31 January 2020	24,382	20,086	4,978	3,413	2,232	55,091

	At 1 August 2019	24,382	19,924	4,951	3,289	2,067	54,613
	Amortisation for the period	-	325	53	238	272	888
	Impairment	-	281	53	-	-	334
	At 31 July 2020	24,382	20,530	5,057	3,527	2,339	55,835
	Amortisation for the period	**-**	**119**	**19**	**55**	**109**	**302**
	At 31 January 2021	**24,382**	**20,649**	**5,076**	**3,582**	**2,448**	**56,137**
Net book value	At 31 January 2020	4,357	2,159	368	396	5,166	12,446
	At 31 July 2020	4,357	1,715	289	282	6,234	12,877
	At 31 January 2021	**4,357**	**1,596**	**270**	**227**	**7,062**	**13,512**

Additions to software and licences during 2020 and 2021 are for the development of the Group's primary business system assets.

8 Trade and Other Receivables

	6 months 31/01/21 *unaudited* **£'000**	**6 months 31/01/20** *unaudited* **£'000**	**12 months 31/07/20** **£'000**
Trade receivables from contracts with customers, net of loss allowance	**29,488**	41,537	27,703
Corporation tax receivables	**64**	295	26
Other receivables	**1,857**	2,154	3,554
Prepayments	**1,612**	1,442	1,705
Accrued income	**12,518**	13,589	15,900
Total	**45,539**	59,017	48,888

Accrued income relates to the Group's right to consideration for temporary and permanent placement made but not billed at the year end. These transfer to trade receivables once billing occurs.

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

Impairment of trade receivables from contracts with customers

	6 months 31/01/21 *unaudited* **£'000**	**6 months 31/01/20** *unaudited* **£'000**	**12 months 31/07/20** **£'000**
Trade receivables from contracts with customers, gross amounts	**33,693**	43,602	31,690
Loss allowance	**(4,205)**	(2,065)	(3,987)
Trade receivables from contracts with customers, net of loss allowance	**29,488**	41,537	27,703

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally settled within 30-60 days and are therefore all classified as current.

The Group uses a third party credit scoring system to assess the creditworthiness 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 aging issues.

Trade receivables are subject to the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics by geographical region or customer industry.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the relevant period end and the corresponding historical credit losses experienced within this period. The historic loss rates are adjusted to reflect any relevant current and forward-looking information expected to affect the ability of customers to settle the receivables.

The loss allowance for trade receivables was determined as follows:

31 January 2021 unaudited	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days due**	**Total**
Weighted expected loss rate (%)	**8.3%**	**6.1%**	**6.2%**	**57.6%**	
Gross carrying amount – trade receivables (£'000)	**19,424**	**9,554**	**1,384**	**3,331**	**33,693**
Loss allowance (£'000)	**1,621**	**581**	**86**	**1,917**	**4,205**

31 January 2020 unaudited	Current	More than 30 days past due	More than 60 days past due	More than 90 days due	Total
Weighted expected loss rate (%)	2.0%	1.0%	1.3%	45.7%	
Gross carrying amount – trade receivables (£'000)	23,893	12,755	3,897	3,057	43,602
Loss allowance (£'000)	487	129	52	1,397	2,065

31 July 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days due	Total
Weighted expected loss rate (%)	6.9%	8.8%	10.2%	91.1%	
Gross carrying amount – trade receivables (£'000)	19,079	8,941	1,788	1,882	31,690
Loss allowance (£'000)	1,307	783	183	1,714	3,987

The loss allowance for trade receivables at the period end reconciles to the opening loss allowance as per below:

	6 months 31/01/21 *unaudited* £'000	6 months 31/01/20 *unaudited* £'000	12 months 31/07/20 £'000
Opening loss allowance for the period	**3,987**	2,189	2,189
Increase in loss allowance recognised in profit and loss during the period	**439**	132	2,281
Receivable written off during the period as uncollectable	**(221)**	(256)	(483)
Closing loss allowance for the period	**4,205**	2,065	3,987

9 Loans and Borrowings

	6 months 31/01/21 *unaudited* £'000	6 months 31/01/20 *unaudited* £'000	12 months 31/07/20 £'000
Working capital facility	**4,338**	12,729	151
Finance costs capitalised	**-**	-	-
Bank loans and borrowings due in less than one year	**4,338**	12,729	151
Term loan	**-**	10,000	7,500
Finance costs capitalised	**-**	(304)	(196)
Bank loans and borrowings due in more than one year	**-**	9,696	7,304
Total bank loans and borrowings	**4,338**	22,425	7,455

In January 2020, the Group transferred a portion of its recourse working capital facility to a non-recourse working capital facility. Under the terms of the non-recourse facility, the trade receivables assigned to the facility are owned by HSBC and so have been de-recognised from the Group's Statement of Financial Position; in addition, the non-recourse working capital facility does not meet the definition of loans and borrowings under IFRS. The Group continues to collect cash from trade receivables assigned to the non-recourse facility on behalf of HSBC which is then transferred to them periodically each month. Any cash collected from trade receivables under the non-recourse facility at the end of reporting period that had not been transferred to HSBC, is presented as restricted cash included within the Group's cash balance. At 31 July 2020, the Group had agreed banking facilities with HSBC totalling £75m Invoice Financing working capital facility (recourse and non-recourse).

The Group's working capital facilities are secured by way of an all assets debenture, which contains fixed and floating charges over the assets of the Group. This facility allows certain companies within the Group to borrow up to 90% of invoiced or uninvoiced trade receivables up to a maximum of £75m. Interest is charged on the recourse borrowings at a rate of 1.85% (year to 31 July 2020: 1.75%) over HSBC Bank base rate.

The Group's £7.5m Revolving Credit Facility is secured by way of a fixed and floating charge over assets of the Group. In October 2020, the Group repaid the £7.5m Revolving Credit Facility in full and no longer is required to comply with certain financial covenants over the Revolving Credit Facility.

10 Lease

The balance sheet shows the following amounts related to leases where the Group is a lessee.

Right-of-use assets

		Buildings £'000	Vehicles £'000	Other £'000	Total £'000
Cost	At 1 August 2019	9,335	336	17	9,688
	Additions	-	12	-	12

	At 31 January 2020	9,335	348	17	9,700
	At 1 August 2019	9,335	336	17	9,688
	Reclassification of dilapidation provision	1,535	-	-	1,535
	Additions	42	12	-	54
	Effect of reassessment of lease term	(862)	-	-	(862)
	Effect of movement in exchange rates	(46)	-	(1)	(47)
	At 31 July 2020	10,004	348	16	10,368
	Additions	**305**	**-**	**5**	**310**
	Disposals	**(22)**	**-**	**-**	**(22)**
	Effect of movement in exchange rates	**7**	**-**	**1**	**8**
	At 31 January 2021	**10,294**	**348**	**22**	**10,664**
Accumulated depreciation	At 1 August 2019	-	-	-	-
	Depreciation charge	834	86	4	924
	At 31 January 2020	834	86	4	924
	At 1 August 2019	-	-	-	-
	Reclassification of dilapidation provision	576	-	-	576
	Depreciation charge	1,858	176	7	2,041
	Impairment	432	-	-	432
	Effect of movement in exchange rates	(19)	-	-	(19)
	At 31 July 2020	2,847	176	7	3,030
	Depreciation charge	**866**	**83**	**4**	**953**
	Effect of movement in exchange rates	**(1)**	**-**	**(1)**	**(2)**
	At 31 January 2021	**3,712**	**259**	**10**	**3,981**
Net book value	At 31 January 2020	8,501	262	13	8,776
	At 31 July 2020	7,157	172	9	7,338
	At 31 January 2021	**6,582**	**89**	**12**	**6,683**

At 1 August 2019, onerous lease provisions of £934,000 previously presented in non-current liabilities, were reclassified against the cost of Property right-of-use assets, in line with the practical expedient available on adoption of IFRS 16. At 31 July 2020, included within Property right-of-use assets is cost of £1,577,000 and net book value of £802,000 relating to dilapidation assets.

Lease liabilities	**Properties** ***unaudited*** **£'000**	**Vehicles** ***unaudited*** **£'000**	**Other** ***unaudited*** **£'000**	**Total 31 Jan-21 £'000**
Current	**1,833**	**72**	**4**	**1,909**
Non-current	**5,030**	**20**	**6**	**5,056**
	6,863	**92**	**10**	**6,965**

Lease liabilities	**Properties** ***unaudited*** **£'000**	**Vehicles** ***unaudited*** **£'000**	**Other** ***unaudited*** **£'000**	**Total 31 Jan-20 £'000**
Current	1,894	171	1	2,066
Non-current	7,491	92	13	7,596
	9,385	263	14	9,662

Lease liabilities	**Properties £'000**	**Vehicles £'000**	**Other £'000**	**Total 31 Jul-20 £'000**
Current	1,855	132	3	1,990
Non-current	5,696	44	6	5,746
	7,551	176	9	7,736

Lease liabilities for properties have lease terms of between one and eight years.

Reconciliation of lease liabilities movement in the period	**Properties £'000**	**Vehicles £'000**	**Other £'000**	**Total £'000**

At 1 August 2019	10,260	347	17	10,624
Lease payments	(987)	(91)	(4)	(1,082)
Interest expense on lease liabilities	112	7	1	120
At 31 January 2020	9,385	263	14	9,662

At 1 August 2019	10,260	347	17	10,624
Lease payments	(2,011)	(183)	(7)	(2,201)
Interest expense on lease liabilities	201	12	1	214
Effect of reassessment of lease term	(862)	-	-	(862)
Effect of movement in exchange rates	(37)	-	(2)	(39)
At 31 July 2020	7,551	176	9	7,736
Additions	**257**	**-**	**5**	**262**
Lease payments	**(1,037)**	**(87)**	**(4)**	**(1,128)**
Interest expense on lease liabilities	**79**	**3**	**-**	**82**
Effect of movement in exchange rates	**13**	**-**	**-**	**13**
At 31 January 2021	**6,863**	**92**	**10**	**6,965**

11 Share capital

Authorised share capital	**6 months 31/01/21** ***unaudited***	**6 months 31/01/20** ***unaudited***	**12 months 31/07/20**
	£'000	**£'000**	**£'000**
40,000,000 ordinary shares of £0.01 each	**400**	400	400

Allotted, called up, and fully paid	**6 months 31/01/21** ***unaudited***	**6 months 31/01/20** ***unaudited***	**12 months 31/07/20**
	£'000	**£'000**	**£'000**
Ordinary shares of £0.01 each	**323**	323	323

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

	'000
In issue at 1 August 2019	32,285
Exercise of share options	6
In issue at 31 January 2020	32,291
In issue at 1 August 2019	32,285
Exercise of share options	5
In issue at 31 July 2020	32,290
In issue at 1 August 2020	**32,290**
Exercise of share options	**-**
In issue at 31 January 2021	**32,290**

12 Discontinued Operations

2021

NWKI Consultancy FZ LLC has been deregistered on 8 October 2020.

2020

On 9 March 2020, the Group commenced communications with the management and employees of its Chinese subsidiary, announcing its intention to cease its remaining operations in China, having previously ceased all Telecoms Infrastructure business undertaken by China already in 2019. As at 31 July 2020, all operations and staff had been terminated and the Group continues to work with in-country advisors to commence company closure proceedings. As this has now resulted in the Group's withdrawal from all operations in China, the Group has classified its Chinese operations as discontinued in the consolidated finance statements for year ended 31 July 2020 and 6 months period ended in 31 January 2021 and restated the comparative results for January 2020 in line with presentational requirements for discontinued operations.

2019

On 4 September 2018 the Group announced that it was withdrawing from the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as its operations in the United Arab Emirates, Singapore, Malaysia and Qatar. As a result, all operations associated with that business stream have been classified as discontinued in the 2019 and 2020 financial year. As part of this withdrawal, on 25 June 2019 NWKI

Communications LLC was sold for cash consideration of £2,000. The entity has net liabilities on disposal of £48,000 resulting in a gain of £46,000.

Gattaca de Colombia SAS, Comms Resources Colombia and Gattaca France SAS were liquidated during the financial year ended 31 July 2019, resulting in a gain of £89,000. These entities made a trading loss of £68,000 during financial year ended 31 July 2019. The results of these liquidated business are included in discontinued operations in 2019.

Cash flows from discontinued operations

	6 months 31/01/21	Restated 6 months [1] 31/01/20	12 months 31/07/20
	unaudited	*unaudited*	
	£'000	£'000	£'000
Net cash outflow from operating activities	**(15)**	(1,177)	(1,109)
Net cash inflow from investing activities	**-**	-	77
Net cash used in financing activities	**-**	(76)	(76)
Effects of exchange rates on cash and cash equivalents	**(44)**	65	(56)
Net decrease in cash and cash equivalents from discontinued operations	**(59)**	(1,188)	(1,164)

[1] 6 months to January 2020 figures have been rested for the presentation of discontinued operations following the announcement of withdrawal from China on 9 March 2020.

13 Net Debt

Net debt is the total amount of cash and cash equivalents less interest-bearing loans and borrowings, including finance lease liabilities. The table below also provides the required reconciliation evaluating the changes in liabilities arising from financing activities.

Net cash flows include the net drawdown of loans and borrowings and cash interest paid relating to loans and borrowings.

A reconciliation to Adjusted Net Debt, which excludes lease liabilities and it the Group's preferred net debt measure is also shown below.

	1 August 2020	Net cash flows	Non-cash movements	31 January 2021
31 January 2021 unaudited	£'000	£'000	£'000	£'000
Cash and cash equivalents	**34,796**	**(7,714)**	**-**	**27,082**
Interest-bearing term loan	**(7,500)**	**7,500**	**-**	**-**
Working capital facilities	**(151)**	**(4,187)**	**-**	**(4,338)**
Lease liabilities	**(7,736)**	**1,128**	**(357)**	**(6,965)**
Total net cash/(debt)	**19,409**	**(3,273)**	**(357)**	**15,779**
Capitalised finance costs	**196**	**-**	**(196)**	**-**
Total net cash/(debt) after capitalised finance costs	**19,605**	**(3,273)**	**(553)**	**15,779**
Excluding lease liabilities	**7,736**	**(1,128)**	**357**	**6,965**
Adjusted total net cash/(debt) excluding lease liabilities	**27,341**	**(4,401)**	**(196)**	**22,744**

	1 August 2019	Net cash flows	Non-cash movements	31 January 2020
31 January 2020 unaudited restated [1]	£'000	£'000	£'000	£'000
Cash and cash equivalents	19,173	177	-	19,350
Interest-bearing term loan	(15,000)	5,000	-	(10,000)
Working capital facilities	(29,119)	16,390	-	(12,729)
Lease liabilities	(10,624)	1,082	(120)	(9,662)
Total net (debt)/cash	(35,570)	22,649	(120)	(13,041)
Capitalised finance costs	124	222	(42)	304
Total net (debt)/cash after capitalised finance costs	(35,446)	22,871	(162)	(12,737)
Excluding lease liabilities	10,624	(1,082)	120	9,662
Adjusted total net (debt)/cash excluding lease liabilities	(24,822)	21,789	(42)	(3,075)

[1] The net debt table for 31 January 2020 has been restated to include the lease liabilities.

	1 August 2019	Net cash flows	Non-cash movements	31 July 2020
31 July 2020	£'000	£'000	£'000	£'000
Cash and cash equivalents	19,173	15,623	-	34,796
Interest-bearing term loan	(15,000)	7,500	-	(7,500)
Working capital facilities	(29,119)	28,968	-	(151)

Lease liabilities	(10,624)	2,201	687	(7,736)
Total net (debt)/cash	(35,570)	54,292	687	19,409
Capitalised finance costs	124	223	(151)	196
Total net (debt)/cash after capitalised finance costs	(35,446)	54,515	536	19,605
Excluding lease liabilities	10,624	(2,201)	(687)	7,736
Adjusted total net (debt)/cash excluding lease liabilities	(24,822)	52,314	(151)	27,341

14 Contingent Liabilities

We continue our cooperation with the United States Department of Justice and in the 6 month period to 31 January 2021 have incurred £28,700 (6 months to 31 January 2020: £1.3m, year to 31 July 2020: £1.4m) in advisory fees on this matter. The Group is not currently in a position to know what the outcome of these enquiries may be and therefore we are unable to quantify the likely outcome for the Group.

15 Subsequent events after the reporting period end

There were no subsequent events following 31 January 2021.

16 Statement of Directors' Responsibilities

The Directors' confirm that these condensed interim Financial Statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair view of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.