8 November 2018

Gattaca plc

Preliminary Results for the year ended 31 July 2018

Gattaca plc ("Gattaca" or the "Group"), the specialist Engineering and Technology (IT & Telecoms) recruitment solutions business, today announces its Preliminary Results for the year ended 31 July 2018.

Financial Highlights

	2018		2017					
	Statutory (Audited)	Underlying[2]	Statutory (Audited)	Underlying[2]	Pro Forma Underlying[3]	Statutory (Audited)	Underlying[2]	Pro Forma Underlying[3]
	£m	**£m**	£m	£m	£m	**%**	**%**	**%**
Revenue	**667.5**	**667.5**	642.4	638.4	663.5	**+4%**	**+5%**	**+1%**
Net Fee Income (NFI)[1]	**78.9**	**78.9**	74.7	74.2	78.1	**+6%**	**+6%**	**+1%**
Profit from operations	**(23.4)**	**14.3**	12.7	17.3	18.2	**-**	**(17%)**	**(21%)**
Profit before tax	**(24.9)**	**12.7**	11.5	16.1	17.0	**-**	**(21%)**	**(25%)**
Basic earnings per share	**(85.3p)**	**22.6p**	23.4p	34.9p	37.4p	**-**	**(35%)**	**(40%)**
Diluted earnings per share	**(85.3p)**	**22.6p**	22.7p	33.9p	36.3p	**-**	**(33%)**	**(38%)**
Dividend per share	**3.0p**		23.0p			**-**		
Net debt at end of period	**£40.9m**		£40.3m			**£0.6m**		

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

[1] *NFI is calculated as revenue less contractor payroll costs*

[2] *Underlying results exclude the trading profits / (losses) of discontinued businesses (2018: £0.5m loss; 2017: £0.0m), acquisitions costs (2018: £0.0m; 2017: £0.2m), amortisation of acquired intangibles (2018: £2.7m; 2017: £3.1m), impairment of goodwill and acquired intangibles (2018: £33.3m; 2017: £0.0m) and integration and restructuring costs (2018: £1.2m; 2017: £1.4m), exchange gains from revaluation of foreign assets and liabilities (2018: £0.1m; 2017: £0.0) and is presented on a constant currency basis*

[3] *Pro forma underlying results include the results for RSL as if it had been a fully owned subsidiary in 2017 H1 in addition to note 2 above*

Operational Performance and other developments*

- NFI growth driven by Engineering (+1%) and IT (+4%)
- Offset by weak Telecoms performance (-20%)
- Overall positive performance in International, with 5% growth
  - Americas +28%
  - China +6%
  - Underperforming regional offices in Dubai, Qatar and Malaysia closed post year end
  - Zero margin business in Telecom Infrastructure in Africa, Asia and Latin America also exited post year end
  - New office opened in Atlanta, USA
- During H2, rationalisation of operations to focus on the strong core and improve margin
  - Cost reduction programme eliminated £3m of costs
  - Bromley office closed at end of October
- New CEO, Kevin Freeguard, appointed 1st October 2018

Financial

- Underlying operating profit of £14.3m (2017: £17.3m) in line with the Board's expectations communicated to the market in August
- Decline in margin driven by higher cost base that has not delivered requisite improvement in revenue
  - Cost reduction programme well underway to reverse this trend and restore the Group's market-leading NFI conversion margin
- Underlying PBT of £12.7m (2017: £16.1m), in line with market expectations
- Significant one-off impairment charge in relation to write-down of Networkers acquisition goodwill and intangibles, totalling £33.3m (2017: £nil). No cash impact
- Year end net debt broadly flat on prior year at £40.9m (2017: £40.3m)

- No final dividend declared, in line with revised policy communicated at interim results

Outlook

- Brexit uncertainty continues to be a headwind for Gattaca's end user markets and the UK staffing sector in general
- Trading in the first quarter of the year is in line with prior year
- Overseas office closures and exit of Telecom Infrastructure will reduce NFI, operating profit and PBT, however this will be broadly neutral at PAT level due to the benefit of reduced withholding tax
- Further one-off restructuring costs will be incurred in 2019 but will be offset by the positive impact of the working capital unwind of the operations being exited
- Full year NFI and PAT outlook in-line with market expectations
- Net debt not expected to increase in 2019 after further investment in systems
- The Board will review any dividend in respect of 2019 against our policy. We are assuming no interim dividend in 2019.

Commenting on the results, Patrick Shanley Chairman of the Group said:

"This was a year of change for Gattaca as we decided to reset the business – reorganising it to establish stable foundations for future growth. Since the half year, we have simplified our operations, removing less stable and non-core businesses which were not expected to contribute to ongoing profits. With Kevin now in place as CEO, we look forward to building on our core resilient businesses – in particular UK Engineering, UK IT and our North American operations through our Matchtech, Networkers and Gattaca Solutions brands."

Kevin Freeguard, CEO commented:

"I am pleased to see the progress that has been made during the second half of 2018 in resetting the business and I am looking forward to developing the business further with the Board and the rest of the Gattaca team."

** NFI commentary is on an underlying like for like basis*

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CHAIRMAN'S STATEMENT

This was a year of change for Gattaca as we decided to reset the business – reorganising it to establish stable foundations for future regrowth. Results over the previous four years have been flat, or declining, and the share price has reflected this poor performance. Following the departure of Brian Wilkinson as CEO at the end of January, we have taken the company back to its basic strengths.

Overall NFI grew to £78.9m (2017: £74.7m) driven by both Engineering and IT having grown this year However, underlying profit before tax decreased to £12.7m (2017£16.2m) as a result of increased costs. In addition we took an impairment of £33.3m against the goodwill and intangibles arising from the Networkers acquisition following the decision to close some of our international operations and exit the Telco Infrastructure business in Asia, Africa and Latin America.

At the heart of our Group, we have a well established and resilient engineering and IT business, one based on the deep knowledge that is characteristic of our talented people, our most valuable asset.

Where we were not doing well was in Telco Infrastructure in Asia, Africa and Latin America. This is a mature segment where the value we can add as a solutions provider is not reflected in the margins our customers are prepared to pay.

It is a complex segment with a high cost-to-deliver, with low margins and high demands on working capital. We determined that in 2019, it would make no contribution to Group profit after tax, therefore we announced our withdrawal from the sector in September 2018.

At the same time, we redrew our footprint by announcing our intention to close our offices in Malaysia, Dubai and Qatar. This followed our decision in January to close our German and Singapore operations. Our mantra is very clear with our overseas offices: the business has to be significant, scalable and sustainable. This does not preclude us from investing in new locations where we can see clearly that the region is capable of meeting these criteria.

We will continue to support our North American operations, which grew strongly in the year with net fee income up 28% in constant currency. This business has its base in Dallas, Texas, and satellite operations in both Canada and Mexico, and has announced the opening of an additional office in Atlanta, Georgia, to serve the east coast. Our rate of growth in FY19 will decline slightly as we extract ourselves from the Telco infrastructure business in Mexico. China is another important area for us; NFI there grew 6% during the year and we believe it has all the attributes necessary to replicate our North American business.

The uncertainty surrounding Brexit is clearly a concern for many of our customers. We continue to discuss with our customers their requirements and are conscious Brexit offers both challenges and opportunities for us as a business. We do however believe we are well placed to support our customers in their staffing requirements during this transitional phase. Internally, we have refocused on the key drivers of profitability and our efforts are very much targeted on NFI per £ of sales costs. This, together with removing some central costs which were not adding to the bottom line will improve our conversion factor over the coming years as we get back to basics.

At our interim results, we announced a revised dividend policy, which aligns the dividend with the financial position and future prospects of the business. We have agreed the dividend will be 50% of profit after tax through the cycle, subject to a sustained reduction in net debt. Accordingly, we will therefore not be paying a final dividend for FY18 as we focus on reducing debt levels below 2 x EBITDA.

There has been substantial change in the composition of the Board. We take governance very seriously and following the departure of Brian Wilkinson, we appointed a specialist executive search agency to find a successor. Their process considered both external and internal candidates, as well as those with recruitment experience and those from other relevant sectors. The Board is very pleased that Kevin Freeguard has joined the Board and Company as CEO from 1 October.

Due to other career commitments, Mark Mamone will be stepping down from his Non-Executive Director role at our forthcoming Annual General Meeting (AGM) and I would like to thank Mark for his valuable contribution.

In addition, both Ric Piper (Senior Independent Director and Chair of Audit Committee) and Roger Goodman retired from the Board at the end of July. We thank them both for their contribution to the business over the years. David Lawther joined the Board on 1 June, and became Chair of the Audit Committee from 1 August.

I would also like to thank Keith Lewis, Salar Farzad and the leadership team for their continued support throughout this period. We have accomplished a great deal in the past six months and I know they will continue to support Kevin in his new role. Lastly, I would wish to thank our employees, who are our principal assets, for their continued valuable contribution.

Patrick Shanley
Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Following Brian Wilkinson's departure in February 2018, Salar Farzad, CFO and Keith Lewis, COO led the management team until our new Chief Executive Officer, Kevin Freeguard, joined the business in October.

Our business has gone through a period of significant transformation during the year as we have been implementing changes to refocus it for its next phase.

During the second half, we conducted a detailed review of our operations, aiming to prioritise markets where we can achieve significant, scalable and sustainable profit in the near term. In the UK, this included looking both at the effectiveness of our sales operations, with particular emphasis on NFI per £1 of sales staff costs, and at the investments we have made in our support functions. Internationally, we reviewed operations at all our offices using the three key measures above.

The results of this review led to our repositioning the business in certain areas:

- International footprint: We decided to withdraw from operations in Dubai, Malaysia and Qatar from September (and Germany and Singapore in H1). These were not making an appropriate contribution, and we believe were less scalable than other markets.
- **Telecoms profitability:** We withdrew from the telecoms infrastructure contractor markets in Africa, Asia and Latin America. This business had been declining, generated the majority of our non-recoverable withholding tax, and tended to be working capital intensive as well as complex to service. Our review indicated that this business would not be contributing to net profits in the future.
- We altered the structure and emphasis of our support functions by:
    - Integrating our UK finance, legal and HR functions from Matchtech, Networkers and Resourcing Solutions Limited (RSL) fully. These had been spread mostly over three UK locations. Each function now has one unified team based at our Whiteley hub.
    - Repositioning the marketing function so its major focus is on revenue generating client related activities.
    - Reducing the significant cost increases, in both sales and support, implemented in late 2017 and early 2018.

The review also led us, at the same time, to continue and increase our support for our growth areas. These include:

- In our Solutions business which services large clients through matrix arrangements with our Engineering and Technology divisions. Solutions which; designs, builds and runs bespoke talent programmes to enable clients to benefit from superior processes, increased speed and quality of service and provides the Group long term value based relationships. In this financial year we have seen 8% organic growth on established clients and grown the client base by 30% from 22 to 29 programmes at year end. Solutions now represents 22% of our global NFI.
- In our North America business, NFI grew 28% on a constant currency basis, and we opened our second hub in September 2018, in Atlanta.
- Our core UK Engineering business, which continues to be a leader in its niche, during the year we took full ownership of RSL which has enhanced our offering in the rail sector, and;
- We have upgraded resources in Gattaca Projects which will allow us to accelerate innovation and deliver broader solutions for our customers.

We also invested in our business systems, to enable future efficiencies and to improve productivity.

During the review process, we have also analysed our capital structure and have taken steps to address our debt over the medium term. This action includes specific measures taken on working capital and, as announced in our interim results statement, a refined dividend policy. This policy ensures a sustainable balance between returns made to shareholders through dividends, and maintaining an appropriate level of gearing.

On an underlying basis Gattaca is a strong and profitable business which is highly respected by customers in the markets it serves. The changes we have outlined above have reset the business, and positioned it for growth from a more stable and solid foundation.

UK Engineering
60% of Group NFI on a pro forma basis

UK Engineering, Matchtech showed 1% underlying[1] growth in NFI with a headcount of 276 which, reflecting our increased focus on productivity, was 25 lower than at the end of 2017.

Aerospace declined 15% year on year due to the loss of two accounts and a drop in both recruitment spending and contractor requirements, along with margin pressures. The outlook for the industry has since become more positive, with recent growth in output expected to continue as demand for aircraft increases around the world. New technology is propelling the market, with the wider use of composites, advanced manufacturing technology and conversion to new electrical systems all changing the way aircraft are manufactured. With rapidly ageing fleets in the mature markets and growing demand from airlines and fleet operators for next generation, fuel efficient, technologically advanced aircraft, many customers are now focusing on replacing their older fleets.

Our Infrastructure business which represents around 40% of UK Engineering was 1% lower than the previous year, though performance was mixed within the business unit. As we noted at the half year, our rail focused team, RSL, has been affected by the bidding, award and uncertainty of the HS2 project, as well as delayed investment into ongoing maintenance projects. The lack of Network Rail funding in the latter stages of CP5, Crossrail winding down, and the well publicised collapse of Carillion all had an impact. 2019 looks set for more investment in capital projects and the

new Rail Control Period (CP6) will create further opportunities. We have seen strong performances in other areas offsetting this, some of which can be attributed to mega-projects such as Hinkley Point, Tideway and the Heathrow expansion.

Our Highways business has capitalised on both design and construction projects, where high levels of spending have continued, while our Buildings team made progress on improving investment in design projects. The Water and Environment marketplace has also remained strong in the build up to the peak in the OFWAT asset management plan cycle.

Engineering Technology continued its upward trajectory, achieving 19% growth, with continued high demand for electronics, software and automation skills across the traditional defence, automotive and commercial electronics sectors. Ongoing developments within hybrid, electric, automated vehicles and connected cars ensure continued demand for skills in the UK. Connectivity and digitalisation also continue to create opportunities in the evolving convergence of skills between traditional engineering and IT, while the UK infrastructure market offers exciting opportunities in areas such as smart cities and rail network digitalisation.

In Energy, NFI was 5% down on prior year driven by reduced rates on key account renewals. However, sentiment in Oil & Gas, both in the UK and internationally, continues to suggest signs of market recovery, with the increase in oil price, and operators are beginning to go ahead with previously shelved projects. The transmission and distribution market continues to receive investment to upgrade infrastructure, while the renewables and nuclear markets remain strong thanks to the increasing demand for cleaner energy.

Our Automotive sector continued to grow by 9% this year. Rapidly changing technology combined with diminishing skill sets in traditional engineering has kept recruitment demand high. The vast majority of automotive manufacturers plan to create new jobs over the next two years, though this is tempered by OEMs taking protective measures against a possible hard Brexit. This has the potential to reduce car manufacturing output and move engineering to outside of the UK. The UK's attractiveness as an automotive marketplace depends on a number of factors, including the productivity of UK plants, the ease of importing and exporting, exchange rates and domestic demand.

In Maritime NFI grew 13% on last year, with UK growth in the naval sector on major programmes such as T26 frigate and Dreadnought class submarine. In addition the leisure market remains buoyant. International demand is high, and we have achieved success on the Canadian NSPS (National Shipbuilding Procurement Strategy).

In General Engineering, NFI was down 6% on last year. The principal causes of this were lower demand for contractors from key clients as well as churn within our own staffing. However, the UK remains the ninth largest manufacturing country by output (source: Engineering Employers' Federation 2017), and sectors such as telecoms, high tech distribution and the more traditional industrial companies are continuing to use high numbers of temporary workers. The Science and Medical markets continue to suffer from skill shortages across the UK, which has led to an increased use of contractors and campaigns to attract overseas candidates and we remain committed to this business.

Barclay Meade, our professional services brand, and Alderwood, our training brand, have performed well, up 17% and 18% respectively. The apprenticeship reform, implemented in April 2017, has had a positive impact on Alderwood's business, with clients and apprentices benefiting from a more commercial funding model. At Barclay Meade, the finance and procurement sectors are transforming their functions, forming integral partnerships within big business strategy, advising on sound data-driven decision making, backed up by commercial trend analysis. Permanent recruitment remain the predominant part of the professional services business.

UK Technology
21% of Group NFI on a pro forma basis

Our UK Technology NFI was 3% lower than in the previous year, with the vast majority of the shortfall being due to our Telecoms Infrastructure business.

Our Telecoms business declined by 20%, with Telecoms Infrastructure 34% lower than the prior year. In February, we hired a new head of Telecoms and have been working closely with him on a detailed review, resulting in the changes noted in the first part of this statement. We have restructured the entire Telecoms team, and its focus will be in the communications sector, within Research and Innovation, Digital Networks and Networks, with a complete shift away from Telecoms Infrastructure, where both contractor numbers and margins have been in decline. In Research and Innovation, the team will be engaged in all activities from blue-sky projects to taking products to market. Digital Networks has a focus on software and services for Operations Support Systems (OSS), Billing Support Systems (BSS), and Customer Relationship Management (CRM). The Networks team's focus will be on Fibre, 5G from test networks to commercialisation, and 4G evolution projects.

Our IT business grew by 4% on last year, with strong performances from our Development and Cloud business units, thanks to strong demand for senior AI and Data experts across mainland Europe specifically within the automotive industry, as we see the move to autonomous (and mainly electric) vehicles. An increased focus on making the car a fully connected and integrated technology solution is also fuelling the demand for Technology staff in that sector. Growth in Cloud has also come from a number of key clients who are undergoing large scale IT transformation programmes. This has led to demand for candidates with experience in virtualisation solutions for these high value projects.

The fierce competition for Development skills within the London start-up and fintech markets is driving up both salaries and demand, and we have invested to capitalise on this growing market. This creates a wide choice for candidates, though our clients are finding it increasingly difficult to secure and retain the appropriate technical skills. Our teams are able to add genuine value to our clients, helping them unearth talent they would not previously have had access to.

The continued growth in Cloud, AI and Development has been tempered by lower performances in ERP and Public Sector. The Public Sector in particular has had a challenging year with continuing changes in IR35 tax legislation which came into force in April 2017 and the reallocation of the central government recruitment framework (CL1).

We saw a significant shift in the mix in the UK Technology division, with permanent recruitment increasing to 24% from 16% last year, thanks to strong performances from our permanent-focused teams and an increase in exclusive arrangements with our clients. These changes enable our high quality skills based consultants to find exceptional candidates for our clients.

International business
19% of Group NFI on a pro forma basis

Given the changes we announced to our international footprint, and the significance of the Americas region, we have provided commentary on that specific region, followed by the rest of the international segment.

Americas
This region continued its strong performance, growing NFI 28% last year on year. Our team now includes a new Executive Vice President of Operations and Regional Sales Director, working with our regional President to capture market share through cross selling.

During the past two years, we have made significant progress while building the infrastructure for the business to achieve sustainable growth. Identifying, developing and retaining top sales and recruitment talent will be the focus as we continue our plan to expand the business, while maintaining healthy profit levels.

This growth has come primarily through increased permanent recruitment, leading to a change in mix. In 2019, this mix will be affected by our withdrawal from the Telecoms Infrastructure contractor markets in Latin America, and also by our plans to increase our contractor base in North America.

We continue to maintain efficiency by using central delivery hubs in Mexico City and Plano to support sales offices, which include Austin, Houston and, since year end, new offices in Atlanta, USA and Monterrey, Mexico.

Atlanta will provide support to our clients in the Energy, Engineering and Technology sectors. It will also be a main sales centre, and will allow us to benefit from being in a city that was recently named on the Forbes top 10 Best Places for Business and Careers. With the fifth largest population in the USA, Atlanta is considered to be a top business city and a primary transportation hub, and has one of the largest international airports. The city also contains the world headquarters of Home Depot, UPS, Coca-Cola and Delta Airlines.

Other International
Our other international businesses declined by 13% overall. As part of our detailed review, we are exiting our operations in Dubai, Malaysia and Qatar, implementation having started in September. Our business in China grew 6% on the previous year. In 2019, this business will be affected by our exit from Telecoms Infrastructure, contract business, which was not expected to make an appropriate net-profit contribution. China offers us great potential in both Engineering and Technology however and we have repositioned this business to focus on value added higher margin business, primarily in permanent recruitment.

Due to the significant Telecoms mix, South Africa declined by 22% last year on year. We have exited the Telecoms Infrastructure Contract market there, and carried out a significant restructuring in September.

As with China, we have repositioned this business to focus on higher margin value added assignments in IT and Engineering. Although South Africa does not offer the same scalability as other regions, it has the potential to allow us to obtain efficiencies through in-house offshoring of some support activity, as the country offers lower cost high quality talent, as well as language and time-zone advantages. During 2018, we ran a small and successful pilot in this respect for our Solutions business, and we will be exploring this option further.

Outlook
Since February, we have acted to stabilise our business and focus our resources on areas which offer significant, scalable and sustainable profit potential in the near term. Our core businesses in UK Engineering and IT have shown growth and resilience, to add to an excellent performance in the Americas. We are continuing with this phase of our stabilisation, which will reset the business on a much firmer footing. On this, our new CEO, management team and our industry leading staff will create the next chapter in the Group's success.

The uncertainty surrounding Brexit continues to affect nearly all our markets, prompting close discussions with our key customers. Their concerns are on the impact new custom arrangements will have on their ability to import and export, and the availability of skilled labour in the market place. We are well placed to help our customers attract the key skills they need, but are reliant on the UK Government reaching agreement with the EU on customs arrangements. To some extent, where there is greater shortage of skills, our services will be in greater demand. Along with the rest of the sector, our business also tends to be impacted by economic growth and any impact of Brexit on the economy would have an impact on the business and we remain mindful of these headwinds as we manage the business in 2019.

Keith Lewis
Chief Operating Officer

Salar Farzad
Chief Financial Officer

1 All comparatives within this performance review are on a like for like (as if RSL had been owned for all 2017) and constant currency basis.

CHIEF FINANCIAL OFFICER'S REPORT

Performance

Revenue of £667.5m (2017: £642.4m) generated NFI of £78.9m (2017: £74.7m). We achieved contract NFI of £56.8m (2017: £56.4m) at a margin of 9% (2017: 9%), and permanent recruitment fees were £22.1m (2017: £18.3m). Gross margins grew slightly to 11.8% (2017: 11.6%) driven by the higher mix of permanent income compared to last year (2018: 28:72, 2017: 24:76). Whilst we have seen a slight increase in the permanent income mix in Engineering, the change is driven principally by a shift to permanent recruitment in our UK IT business (primarily caused by IR35 in the public sector), in China where we have been building the business beyond the acquired client base, and in the US where most of our FY18 growth has come from permanent income where again we have been expanding our customer base.

Loss from operations of £23.4m (2017: £12.7m profit) has been impacted by non-cash charges of £36.0m in respect of amortisation and impairment of acquired intangibles (2017: £3.1m). This includes a £33.3m (2017 £nil) impairment charge related to the acquisition of Networkers PLC, recognising that this transaction has turned out not to be value accretive. As mentioned in the CEO report, since the half year we have taken significant actions to simplify the business and to eliminate elements which have been diluting our performance.

Statutory loss after tax was £27.1m (2017: £7.3m profit).

Underlying results

To provide greater transparency we have shown underlying results beneath the Income Statement including a reconciliation to statutory results. Underlying profit before taxation at £12.7m (2017: £16.2m) was £3.5m lower than last year. This is solely a function of higher administrative costs of £7.3m of which £2.2m relates to the full year consolidation of RSL. NFI was £4.2m higher which was largely consolidation of RSL for a full year at £6.3m (2017 £3.2m).

The table below breaks out the increase in underlying administrative costs:

£m	**2018**	2017
Administrative expenses	**102.3**	62.0
Less:		
Non-underlying items included within administrative expenses	**(1.7)**	(1.6)
Amortisation and impairment of acquired intangibles	**(36.0)**	(3.1)
Underlying administrative expenses	**64.6**	57.3

Underlying administrative expenses increased by 13% as follows:

	£m
2017 Underlying administrative expenses	57.3
Impact of full year of RSL consolidation	2.2
Net investment in UK sales	2.8
Investment in US office	1.0
Reduction in Asia and MEA sales	(1.0)
Group support staff investment	0.5
Finance and professional fees increase	1.0
Increase in bad and doubtful debt charge	0.6
Depreciation and other administrative expenses	0.2
2018 Underlying administrative expenses	**64.6**

The cost increase in UK sales was broadly split between UK Engineering and Solutions. The UK Engineering increase was driven by higher commissions as a result of higher NFI, whilst Solutions, which offers higher quality and more efficient services to our clients, and better returns for our stakeholders is a key area of focus for the group and an example of where we have invested with weighted average headcount increasing to 57 in 2018 from 36 in 2017.

The reduction in sales staff in Asia and MEA was a precursor to the announced closure since year end of our offices in Dubai, Malaysia and Qatar.

As we continue to professionalise the business we have increased our investment in group support.

The increase in professional fees related to amortisation of set up costs on a long term contract and mostly one-off external professional advice on projects including GDPR, transfer pricing and refinancing.

Non-underlying items within administrative expenses of £1.7m (2017: £1.6m) are costs of the discontinued Munich operation of £0.5m as well as redundancy and integration costs related to RSL, and restructurings within the group support functions and in our Technology business.

The primary driver of our business, and therefore the primary cost relates to headcount. Our headcount during the year was as follows:

	July 2018	**2018 weighted average**	July 2017	2017 weighted average
UK Engineering	**277**	**305**	305	284
UK Technology	**97**	**111**	118	126
Solutions and Business Development	**61**	**57**	46	36
International sales	**143**	**152**	148	155
Group Support	**232**	**235**	252	231
	810	**860**	869	832

Whilst we have reduced headcount in most areas to increase efficiency, we continue to invest where this will drive performance.

Cost actions, international footprint and Telecoms infrastructure
In late 2017 and early 2018 the Group had invested in overheads in anticipation of significantly higher NFI which did not materialise. Since early February we have taken a number of actions to abate the rate of the cost growth of the Group including in the UK.

In addition to these actions as noted in the CEO report, after year end we took the strategic decision to exit our Dubai, Malaysia and Qatar operations as well as withdrawing from our Telecoms Infrastructure activity in Africa, Asia and Latin America.

These operations also generated the majority of our non recoverable withholding tax, which therefore will reduce significantly in 2019, and consequently we expect this withdrawal to be neutral to the Group at profit after tax level.

Within this exercise, since year end we also closed our Bromley office, with all UK Group support now being provided from our Whiteley hub.

These actions commenced after July 2018 and together will reduce 2019 NFI, EBITDA and profit before tax. However, we expect the impact on profit after tax to be broadly neutral. These businesses had been declining and were expected to continue to decline; our actions remove a potential downward force on Group results, to improve operational gearing and simplify the business.

Whilst the 2019 results will also reflect one-off costs arising from these actions, we expect an improvement in ongoing working capital, as the customers of these exited businesses tended to be working capital intensive and more complex to service.

Conversion ratio
Underlying profit from operations (profit from operations less non-underlying costs, amortisation and impairment of acquired intangibles and goodwill) of £14.3m (2017: £17.4m) represented 18% (2017: 23%) of gross profit. Whilst lower than prior years we expect the actions we have taken in FY18 H2 and the first part the FY19 financial year around our cost base, international footprint and Telecoms business, as well as the investments in our strong Engineering, UK IT and North America businesses to positively impact this ratio in the future. It is a key measure of our productivity and we expect to return to being a leader amongst UK listed staffing firms for this measure.

Taxation
The Group's underlying effective tax rate was 41% (2017: 31%). This higher than normal rate, which will reduce going forwards is driven by our non-recoverable withholding tax which was 11% (2017: 12%) of underlying profit before tax and an adjustment to the tax charge of £1.1m in respect of prior periods. Tax has been a particular focus during 2018 and as well as dealing with non recoverable withholding tax we have reassessed other areas, in particular for international operations. The prior year tax adjustment relates to amendment of historical transfer pricing provisions and amendments of overseas deferred tax provisions.

We expect a significant reduction in non-recoverable withholding tax as a result of our withdrawal from the Telecoms Infrastructure markets in Africa, Asia and Latin America.

Earnings per share
Basic earnings per share was negative 85.3 pence (2017: 23.4 pence), and on a fully diluted basis was negative 85.3 pence (2017: 22.7 pence).

Underlying basic earnings per share was 22.6 pence (2017:35.3 pence).

Dividends paid/proposed
In accordance with our dividend policy announced in April with our interim results, the Board is not recommending a final dividend for 2018. Our policy which we set out in our half year results, is to achieve a through the cycle dividend payout of approximately 50% of profits after tax, subject to a sustained reduction in net debt. The total dividend paid during the year therefore is 20 pence (2017: 23 pence). The Board will review any dividend in respect of 2019 against our policy as we focus on reducing overall debt to below 2 times EBITDA.

Tangible and intangible assets
Capital expenditure in the year including tangible assets and software, was £2.8m (2017: £1.5m). This included £1.4m mostly related to leasehold improvements at our Whiteley campus to bring the premises up to a reasonable standard. This is where the bulk of our UK staff are based and an appropriate working environment is critical to maintaining a motivated and productive workforce. There was also a £0.9m investment in software and

software licences for our primary business systems where we are working to replace our dated in-house built legacy software with modern standardised external products.

Acquisitions
During the year, the minority holders of RSL shares exercised their put options and we acquired the remaining 30% of RSL for £3.6m. In 2017 we acquired 70% of the business for £7.4m and assumed £3.8m of the company's debt. RSL is now integrated within our Infrastructure business and has significantly strengthened our offering, in particular in the Rail sector.

Net assets and shares in issue
At 31 July 2018, the Group had net assets of £47.0m (2017: £84.7m) and had 32.3m (2017: 31.8m) fully paid ordinary shares in issue. The change in net assets is principally driven by the impairment of intangibles related to the Networkers acquisition.

Cash flow and net debt
Net debt at 31 July 2018 was £40.9m (2017: £40.3m), consisting a working capital facility of £35.9m (2017: £25.7m), bank term loan of £15.0m (2017: £20.7m), less cash of £9.8m (2017: £5.8m) and capitalised finance costs of £0.2m (2017: £0.3m).

Cash generated from operations at £17.9m (2017: £12.4m) was £5.5m higher than prior year. In addition to the change in underlying profits and non underlying costs this was driven by an improvement in working capital of £4.2m (2017: £5.0m deterioration) which was due to lower trade and other receivables. Working capital optimisation has been a major focus during the year and DSO (days sales outstanding) of 52 (2017: 55) were 3 days better than prior year.

Cash used in investing activities was £6.2m (2017: £8.8m) driven by the investment in Tangible and Intangible assets and the earnout payment for the acquisition of RSL.

Cash used in financing activities was £2.0m (2017: £2.6m generated) due to dividends paid in the year of £6.4m (2017: £7.2m) offset by net movement in financing facilities.

Banking facilities and interest rate risk
Our financing facilities include three covenants: Interest Cover; Adjusted Leverage; and RCF (revolving credit facility) to adjusted EBITDA. We are comfortable with our ability to service our debt and meet our covenants and we monitor projections for covenant ratios as part of our routine monthly reporting.

Given the headwinds around Brexit and its potential impact on the economy, we have renegotiated our facilities with HSBC, removing excess facilities and agreeing a more generous covenant profile. As of November 2018 the Group has facilities of £90m, consisting of a £75m working capital financing facility and a £15m bank term loan, both committed until October 2020.

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

Brexit
As with last year, the Board continues to follow developments on Brexit. The effect of Brexit on business confidence is an important factor for us to the extent it affects the UK economic environment, as noted in the Principal Risks and Uncertainties report.

IR35
In his October 2018 budget, the Chancellor stated the Government's intention to extend, in April 2020, into the private sector the IR35 rules which were brought to the public sector in 2017.

Underlying engineering and technology projects will continue to require resource and as leading providers of resources to those sectors, we will continue to offer a valuable service to our clients through our contingent and solutions offerings.

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

Group financial risk management
The Board reviews and agrees policies for managing financial risks. The Group's finance function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It seeks to ensure that adequate liquidity exists at all times, to meet its cash requirements. The Group's financial instruments comprise borrowings, cash and various items, such as trade receivables and trade payables that arise from its operations, and some matching forward foreign exchange contracts. The Group does not trade in financial instruments. The main risks arising from the Group's financial instruments are described below.

Credit risk
The Group trades only with recognised, creditworthy third parties. We monitor receivable balances on an ongoing basis, with the result that the Board feels the exposure to bad debt is not significant. There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 4% (2017: 4%) of total receivables balances at 31 July 2018. During our year we increased our provision for doubtful debts by £0.5m.

Foreign currency risk

The Group generates around 30% of its annualised NFI in overseas markets including overseas revenue generated from the UK. The Group does face risks to both its reported performance and cash position arising from the effects of exchange rate fluctuations. The Group manages these risks by matching sales and direct costs in the same currency, entering into forward exchange contracts to minimise the gap in assets and liabilities denominated in foreign currencies.

2018 trading and outlook

Trading in the first quarter of our 2018 financial year has been broadly in line with prior year and we believe this trend is likely to continue for the year, notwithstanding external headwinds around Brexit and IR35 and the significant amount of internal change the company is currently absorbing.

Salar Farzad
Chief Financial Officer

Consolidated Income Statement for the year ended 31 July 2018

	Note	**2018 £'000**	2017 £'000
Revenue	2	**667,544**	642,365
Cost of sales		**(588,681)**	(567,657)
Gross profit	2	**78,863**	74,708
Administrative expenses		**(102,268)**	(62,004)
(Loss)/profit from operations	3	**(23,405)**	12,704
Finance income	5	**198**	44
Finance costs	6	**(1,652)**	(1,240)
(Loss)/profit before taxation		**(24,859)**	11,508
Taxation	9	**(2,217)**	(4,160)
(Loss)/profit for the year		**(27,076)**	7,348
Attributable to:			
Equity holders of the parent		**(27,351)**	7,176
Non-controlling interests		**275**	172
		(27,076)	7,348

All of the activities of the Group are classed as continuing. The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent Company Income Statement.

Earnings per ordinary share

	Note	**2018 pence**	2017 pence
Basic earnings per share	10	**(85.3)**	23.4
Diluted earnings per share	10	**(85.3)**	22.7

Underlying profit after taxation

	Note	**2018 £'000**	2017 £'000
(Loss)/profit from operations		**(23,405)**	12,704
Add:			
Depreciation of property, plant and equipment and amortisation of software and software licences	3	**1,027**	896
Non-underlying items included within administrative expenses	3	**1,676**	1,610
Amortisation and impairment of acquired intangibles	3	**36,011**	3,074
Underlying EBITDA		**15,309**	18,284
Less:			
Depreciation of property, plant and equipment and amortisation of software and software licences		**(1,027)**	(896)
Net finance costs excluding foreign exchange differences		**(1,540)**	(1,232)
Underlying profit before taxation		**12,742**	16,156
Underlying taxation	9	**(5,222)**	(5,076)
Underlying profit after taxation		**7,520**	11,080

Underlying earnings per ordinary share

	Note	**2018 pence**	2017 pence
Basic earnings per share		**22.6**	35.3
Diluted earnings per share		**22.6**	34.3

Consolidated Statement of Comprehensive Income for the year ended 31 July 2018

	2018 £'000	2017 £'000
(Loss)/profit for the year	**(27,076)**	7,348
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(734)**	218
Other comprehensive (loss)/income for the year	**(734)**	218
Total comprehensive (loss)/income for the year	**(27,810)**	7,566
Attributable to:		
Equity holders of the parent	**(28,085)**	7,394
Non-controlling interests	**275**	172
	(27,810)	7,566

Total comprehensive income attributable to equity shareholders arises wholly from continuing operations.

Statements of Changes In Equity for the year ended 31 July 2018

A) Group

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation of foreign operations £'000	Retained earnings £'000	Non–controlling interests £'000	Total £'000
At 1 August 2016	**312**	**8,696**	**28,750**	**2,537**	**815**	**40,504**	**–**	**81,614**
Profit for the year	–	–	–	–	–	7,176	172	7,348
Other comprehensive income	–	–	–	–	218	–	–	218
Total comprehensive income	–	–	–	–	218	7,176	172	7,566
Dividends paid in the year (Note 7)	–	–	–	–	–	(7,195)	–	(7,195)
Deferred tax movement re share options	–	–	–	–	–	(121)	–	(121)
Deferred consideration	–	–	–	–	–	–	2,050	2,050
IFRS 2 charge	–	–	–	774	–	–	–	774
IFRS 2 reserves transfer	–	–	–	(1,896)	–	1,896	–	–
Shares issued	6	8	–	–	–	–	–	14
Transactions with owners	6	8	–	(1,122)	–	(5,420)	2,050	(4,478)
At 31 July 2017	**318**	**8,704**	**28,750**	**1,415**	**1,033**	**42,260**	**2,222**	**84,702**
At 1 August 2017	**318**	**8,704**	**28,750**	**1,415**	**1,033**	**42,260**	**2,222**	**84,702**
(Loss)/profit for the year	–	–	–	–	–	(27,351)	275	(27,076)
Other comprehensive loss	–	–	–	–	(734)	–	–	(734)
Total comprehensive loss	–	–	–	–	(734)	(27,351)	275	(27,810)
Dividends paid in the year (Note 7)	–	–	–	–	–	(6,441)	–	(6,441)
Deferred tax movement re share options	–	–	–	–	–	(211)	–	(211)
Acquisition of non-controlling interest	–	–	–	–	–		(3,552)	(3,552)
Non-controlling interest transfer	–	–	–	–	–	(1,055)	1,055	–
IFRS 2 charge	–	–	–	324	–	–	–	324
IFRS 2 reserves transfer	–	–	–	(665)	–	665	–	–
Shares issued	5	2	–	–	–	–	–	7
Transactions with owners	5	2	–	(341)	–	(7,042)	(2,497)	(9,873)
At 31 July 2018	**323**	**8,706**	**28,750**	**1,074**	**299**	**7,867**	**–**	**47,019**

B) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2016	**312**	**8,696**	**28,526**	**2,537**	**2,158**	**42,229**
Profit and total comprehensive income for the year	–	–	–	–	6,278	6,278
Dividends paid in the year	–	–	–	–	(7,195)	(7,195)
IFRS 2 charge	–	–	–	774	–	774
IFRS 2 reserves transfer	–	–	–	(1,896)	1,896	–
Shares issued	6	8	–	–	–	14
Transactions with owners	6	8	–	(1,122)	(5,299)	(6,407)
At 31 July 2017	**318**	**8,704**	**28,526**	**1,415**	**3,137**	**42,100**
At 1 August 2017	318	8,704	28,526	1,415	3,137	42,100
Profit and total comprehensive income for the year	–	–	–	–	4,670	4,670
Dividends paid in the year	–	–	–	–	(6,441)	(6,441)
IFRS 2 charge	–	–	–	324	–	324
IFRS 2 reserves transfer	–	–	–	(665)	665	–
Shares issued	5	2	–	–	–	7
Transactions with owners	5	2	–	(341)	(5,776)	(6,110)
At 31 July 2018	**323**	**8,706**	**28,526**	**1,074**	**2,031**	**40,660**

Consolidated and Parent Company Statements of Financial Position at 31 July 2018

	Note	Group		Company	
		2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Non–current assets					
Intangible assets	11	**16,349**	51,802	**–**	–
Property, plant and equipment	12	**3,620**	2,504	**–**	–
Investments	13	**–**	–	**8,311**	7,987
Deferred tax asset	14	**135**	773	**–**	–
Total non–current assets		**20,104**	55,079	**8,311**	7,987
Current assets					
Trade and other receivables	15	**112,912**	114,997	**94,927**	86,608
Cash and cash equivalents		**9,758**	5,802	**–**	–
Total current assets		**122,670**	120,799	**94,927**	86,608
Total assets		**142,774**	175,878	**103,238**	94,595
Non–current liabilities					
Deferred tax liability	14	**(1,636)**	(3,914)	**–**	–
Provisions	16	**(1,390)**	(1,596)	**–**	–
Bank loans and borrowings	18	**(14,931)**	(20,464)	**(14,931)**	(20,464)
Total non–current liabilities		**(17,957)**	(25,974)	**(14,931)**	(20,464)
Current liabilities					
Trade and other payables	17	**(40,850)**	(38,990)	**(47,647)**	(32,031)
Current tax liability		**(1,247)**	(586)	**–**	–
Bank loans and borrowings	18	**(35,701)**	(25,626)	**–**	–
Total current liabilities		**(77,798)**	(65,202)	**(47,647)**	(32,031)
Total liabilities		**(95,755)**	(91,176)	**(62,578)**	(52,495)
Net assets		**47,019**	84,702	**40,660**	42,100
Equity					
Share capital	21	**323**	318	**323**	318
Share premium		**8,706**	8,704	**8,706**	8,704
Merger reserve		**28,750**	28,750	**28,526**	28,526
Share-based payment reserve		**1,074**	1,415	**1,074**	1,415
Translation of foreign operations		**299**	1,033	**–**	–
Retained earnings		**7,867**	42,260	**2,031**	3,137
Total equity attributable to equity holders of the parent		**47,019**	82,480	**40,660**	42,100
Non–controlling interest		**–**	2,222	**–**	–
Total equity		**47,019**	84,702	**40,660**	42,100

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present the parent Company's Income Statement. The parent Company's profit of £4,670,000 (2017: £6,278,000) for the year is shown in Note 8 of the Financial Statements. The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 7 November 2018 and signed on its behalf by:

Salar Farzad
Chief Financial Officer

Consolidated and Parent Company Cash Flow Statements for the year ended 31 July 2018

	Group		Company	
	2018 £'000	2017 Restated £'000	**2018 £'000**	2017 £'000
Cash flows from operating activities				
(Loss)/profit after taxation	**(27,076)**	7,348	**4,670**	6,278
Adjustments for:				
Depreciation and amortisation	**3,718**	3,970	**–**	–
Profit on disposal of property, plant and equipment	**(14)**	(9)	**–**	–
Impairment of acquired intangibles	**33,320**	–	**–**	
Interest income	**(198)**	(44)	**–**	–
Interest costs	**1,652**	1,240	**–**	–
Taxation expense recognised in Income Statement	**2,217**	4,160	**–**	–
Decrease/(increase) in trade and other receivables	**2,326**	(3,774)	**(8,069)**	(6,273)
Increase/(decrease) in trade and other payables	**1,860**	(2,215)	**15,547**	320
Increase/(decrease) in provisions	**(206)**	994	**–**	–
Share-based payment charge	**324**	774	**–**	–
Investment income	**–**	–	**(5,474)**	(7,200)
Cash generated from/(used in) operations	**17,923**	12,444	**6,674**	(6,875)
Interest paid	**(1,537)**	(1,145)	**–**	–
Interest received	**112**	–	**–**	–
Income taxes paid	**(3,648)**	(6,034)	**–**	–
Cash from/(used in) operating activities	**12,850**	5,265	**6,674**	(6,875)
Cash flows from investing activities				
Purchase of plant and equipment	**(1,853)**	(1,027)	**–**	–
Purchase of intangible assets	**(899)**	(512)	**–**	–
Acquisitions net of cash received	**–**	(7,378)	**–**	–
Acquisition of non-controlling interest	**(3,552)**	–	**–**	–
Proceeds from sale of property, plant and equipment	**67**	76	**–**	–
Dividends received	**–**	–	**5,474**	7,200
Cash (used in)/generated from investing activities	**(6,237)**	(8,841)	**5,474**	7,200
Cash flows from financing activities				
Proceeds from issue of share capital	**7**	14	**7**	14
Drawdown of term loan	**–**	7,106	**–**	7,106
Drawdown of working capital facilities	**10,166**	2,970		–
Finance costs paid	**(25)**	(250)		(250)
Repayment of term loan	**(5,714)**	–	**(5,714)**	–
Dividends paid	**(6,441)**	(7,195)	**(6,441)**	(7,195)
Cash (used in)/generated from financing activities	**(2,007)**	2,645	**(12,148)**	(325)
Effects of exchange rates on cash and cash equivalents	**(650)**	(695)	**–**	–
Increase/(decrease) in cash and cash equivalents	**3,956**	(1,626)	**–**	–
Cash and cash equivalents at beginning of year	**5,802**	7,428	**–**	–
Cash and cash equivalents at end of year	**9,758**	5,802	**–**	–

Following enquiry from the Financial Reporting Council, the 2017 comparative figures in the Consolidated Cash Flow Statement have been restated. Please refer to the Note 1 for more details.

Notes Forming Part of the Financial Statements

1 The Group and Company Significant Accounting Policies

i The business and address of the Group

Gattaca plc (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.

ii Basis of preparation of the Financial Statements

The Financial Statements of Gattaca plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in Note 1 xxvi.

iii Going concern

The Directors have reviewed forecasts and budgets for the coming year, which have been drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. These were prepared with reference to historic and current industry knowledge, taking future strategy of the Group into account. As a result, at the time of approving the Financial Statements, the Directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future and in compliance with key financial covenants, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements. As with all business forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

iv New standards and interpretations

No new standards are required to be adopted from 1 August 2017 or during the financial year.

New standards in issue, not yet effective

IFRS 15 'Revenue from contracts with customers'

During 2014 the International Accounting Standards Board (IASB) issued IFRS 15 'Revenue from contracts with customers', which has become effective from 1 August 2018 for the Group. The Group has assessed the estimated impact that adoption of IFRS 15 will have on its Consolidated Financial Statements. The estimated impact of application of this new standard on the beginning of the 2019 financial year is based on assessments taken to date and is summarised below. The actual impact of adoption may change because relevant accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue', IAS 11 'Construction contracts', IFRIC 13 'Customer loyalty programmes', SIC 31 'Revenue - Barter transactions involving advertising services' and related interpretations.

The following major revenue streams have been assessed as follows:

Temporary placements

Revenue from temporary placements is recognised at the point in time when a candidate provides services. The Group has assessed its use of third party providers to supply candidates 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. Under IFRS 15, the timing and amount of revenue recognition is expected to be materially unchanged, with no impact expected on retained earnings on 1 August 2018.

A number of rebate arrangements are in place in respect of volume and value of sales; these will be accounted for as variable consideration and estimated in line with IFRS 15. In addition, consideration payable to customers has been capitalised and amortised over the term of the contracts it relates to; this will also be accounted for as a reduction to the transaction price. Under IAS 18 these are accounted for as a reduction to revenue; under IFRS 15, the accounting treatment will remain, with no impact on gross profit expected.

Permanent placements

Revenue from permanent placements is recognised at the point in time when the candidate commences employment, with 'claw-back' provisions provided for. Under IFRS 15, the timing and amount of revenue recognition is expected to be materially unchanged, with a no estimated impact on retained earnings on 1 August 2018.

Provision of engineering services
Revenue from provision of engineering services is recognised over the period of the contract, on completion of work in line with milestones per contracts or approved timesheets. Under IFRS 15, the timing and the amount of revenue recognised is expected to be materially unchanged, with no impact expected on retained earnings at 1 August 2018.

Transition
The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard on the date of initial application, being 1 August 2018. As a result, the Group will not apply the requirements of IFRS 15 to the comparative Financial Statements.

IFRS 9 'Financial Instruments'
IFRS 9 'Financial instruments' is effective for the Group from 1 August 2018. The new standard sets out requirements for recognising and measuring financial assets and financial liabilities. The Group has assessed the impact of the adoption of this new standard and plans to adopt retrospectively, taking advantage of the exemption to not restate comparative information with respect to classification and measurement changes.

The Group does not expect any material changes to the Statement of Financial Position or Equity at 1 August 2018 as a result of adoption of IFRS 9. The actual impact of adoption may change because relevant accounting policies are subject to change until the Group presents its first Financial Statements that include the date of initial application.

Further details of each aspect of the standard have been included below:

Classification and measurement
IFRS 9 contains a new 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, the number of classification categories has reduced, resulting in all financial assets being measured at amortised cost, fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI).

The Group does not believe that the new classification requirements will have any impact on its accounting for trade and other receivables.

IFRS 9 largely retains the existing requirements for classification of financial liabilities in IAS 39. The Group's assessment did not identify any changes to classification and measurement of financial liabilities on 1 August 2018.

Impairment
IFRS 9 replaces the incurred loss model of IAS 39 with an 'Expected Credit Loss' model (ECL). This applies to all financial assets measured at amortised cost or FVOCI, except equity investments. Depending on certain criteria, it measures all default events that are expected to occur in 12 months from the reporting date, or over the lifetime of the financial assets.

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

- The Group has chosen to take advantage of the practical expedient in IFRS 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. Separate ECL's have been modelled for UK construction customers, rest of UK customers, and customers in Americas, Europe, Asia and Africa. The estimated impairment provision of trade receivables at 1 August 2018 under IFRS 9 is not materially different to the impairment provision held at 31 July 2018 of £1,547,000, and therefore the Group estimates that there will be no material impact on retained earnings at 1 August 2018.
- Cash and cash equivalents are held with financial institutions. The Group has determined that based on the external credit ratings of counterparties, it has very low credit risk and that the estimated ECL is not material.

At each reporting date, the ECL will be reviewed to reflect changes in credit risk and adjustments made where necessary. Additional disclosure requirements under IFRS 9 on credit risk and ECL's will be assessed in advance of the next reporting period end.

Hedging
The Group has no existing hedging relationships to be considered under IFRS 9.

Transition
The Group plans to adopt IFRS 9 using the cumulative effect method, with the effect of initially applying this standard on the date of initial application, being the 1 August 2018. As a result, the Group will not apply the requirements of IFRS 9 to the comparative financial statements.

IFRS 16 'Leases'
IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases, and it establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on the Statement of Financial Position for lessees. The standard replaces IAS 17, 'Leases', and related interpretations. The standard is effective for annual periods commencing on or after 1 January 2019, and so will be adopted by the Group from 1 August 2019.

Adoption of IFRS 16 is expected to result in changes to the Group's Consolidated Financial Statements. Under IFRS 16, certain lease commitments could be accounted for 'on-balance sheet', with recognition of a lease liability and corresponding right-of-use assets. Under IFRS 16, the operating lease charge would be replaced by a depreciation charge that, whilst lower over the life of the lease than the current operating

lease charge, is not expected to be materially different. Rental expenses will also be accounted for as finance costs rather than within operating expenses.

The Group is currently performing an impact assessment of the application of the new standard.

Forthcoming requirements
The following amendments are required for application for the groups periods beginning after 1 August 2018:

Standard		Effective date (annual periods beginning on or after)
IFRS 2	Share-based payments	1 January 2018
IFRS 9	Implementation of IFRS 9	1 January 2018
IAS 28	Investments in associates and joint ventures	1 January 2018
IAS 16	Property, plant and equipment	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

The Group does not intend to adopt any of these new standard or amendments early and does not expect any significant impact of adoption on the Financial Statements.

v 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.

Put options over equity of subsidiary companies
The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities where such options can only be settled either by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that might become payable under the option on exercise is initially recognised at fair value within borrowings, with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The Group recognises the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received, as a financing cost. Such options are subsequently measured at amortised costs, using the effective interest rate method in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires unexercised, the liability is de-recognised, with a corresponding adjustment to equity.

vi Restatement of consolidated cash flow statement prior period comparatives
In light of an enquiry from the Financial Reporting Council, the Company has considered the tentative committee decision of IFRIC issued in March 2018 concerning the classification of short-term loans and credit facilities under IAS 7 'Statement of Cash Flows'. This decision clarifies certain aspects of the definition of cash equivalent balances and the Company has concluded that it is appropriate to change its presentation of its working capital facility ('Invoice Finance facility') in the Financial Statements for the year ended 31 July 2018 and treat it as a financing cash flow. Accordingly, the comparative financial information for the year ended 31 July 2017 has been restated under the new basis.

The change in presentation reclassifies cash flows into and out of the invoice finance facility as financing activities cash flows. Previously the facility was deemed to be a cash equivalent which meant that movements were not separately presented.

The restatement has increased cash and cash equivalents in the cash flow statement at 31 July 2017 by £25,693,000 from negative cash of £(19,891,000) to net cash of £5,802,000 and at 31 July 2016 by £18,939,000 from negative cash of (£11,511,000) to net cash of £7,428,000. For the year ended 31 July 2017 net cash used in investing activities has reduced by £3,784,000 from (£12,625,000) to (£8,841,000), net cash from financing has increased by £2,970,000 from net cash used in financing of (£325,000) to net cash generated from financing of £2,645,000 and the net increase/(decrease) in cash and cash equivalents has reduced from (£8,380,000) to (£1,626,000).

The Group's net debt (being cash and cash equivalents and current and non-current bank loans and overdrafts) remains as reported in Note 25 at £40,288,000.

vii Revenue
Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT and trade discounts.

Revenue on temporary placements is recognised when the worker provides services, with invoices raised upon receipt of a client approved timesheet or equivalent proof of time worked. Timing differences between when the work is performed and the receipt of a client approved timesheet are recognised as accrued income. In specific parts of the Group where work cycles are monthly, accrued income for timesheet timing differences is based on contractual terms and invoice rates, together with expected utilisation based on historical working patterns.

Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment, at which point it is probable that the economic benefits associated with the transaction will be transferred. Permanent placements made are subject to a 'claw-back' period whereby if a candidate leaves within a set period of starting employment, the client may be entitled to a rebate subject to the Group's terms and conditions. Based on historical experience and data, rebates are infrequent. Where a permanent candidate starts employment but does not work for the specified contractual period, a provision is made in respect of the required refund or credit note due to the client if material.

Revenue from provision of engineering services is recognised over the period of the contract, on completion of work in line with milestones per contracts or approved timesheets. Other fees are recognised on confirmation from the client committing to the agreement. Other fees mainly relate to contractual services provided that are neither temporary contract services nor permanent placement fees. These typically relate to account management fees for providing recruitment services. These fees are recognised in accordance with terms of each individual agreement, such as a monthly service fee.

viii 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 better understanding of the Group's results.

Items which are included within this category include:

- costs of acquisitions;
- integration costs following acquisitions; and
- significant restructuring costs.

ix 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.

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any

impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

Customer relationships
Acquired customer relationships comprise principally of existing customer relationships which may give rise to future orders (customer relationships), and existing order books. Acquired customer relationships are recognised at fair value at the acquisition date and have a finite useful life of 10 years. Customer relationships are amortised in line with the expected cashflows. Acquired customer relationships are stated at cost less accumulated amortisation and impairment. Backlog orders are recognised at fair value at the acquisition date and amortised in line with the expected cash flows. Backlog orders are stated at cost less accumulated amortisation and impairment.

Trade names and trademarks
Trade names and trademarks have arisen on the consolidation of recently acquired businesses and are recognised at fair value at the acquisition date. Trade names and trademarks are considered to have a finite useful life and amortisation is calculated using the straight line method to allocate the cost of trade names and trademarks over their estimated useful lives of 10 years. Trade names and trademarks are stated at cost less accumulated amortisation and impairment.

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. Software licences are stated at cost less accumulated amortisation.

Directly attributable costs that are capitalised as part of internally generated software include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Computer software development costs recognised as assets are amortised over their estimated useful lives of between two and five years.

Other
Other intangible assets acquired by the Group and 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 is recognised in the Income Statement under administrative expenses. Provision is made against the carrying value of intangible assets where an impairment in value is deemed to have occurred. Impairment losses are recognised in the Income Statement under administrative expenses.

xi 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.

xii Operating lease agreements
Rentals applicable to operating leases are expensed to profit and loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

xiii Taxation
The tax expense for the period 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.

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.

xiv Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the income statement as they accrue.

xv Share-based payments

All share-based remuneration is ultimately recognised as an expense in the Income Statement with a corresponding credit to 'share-based payment reserve'. All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of employee services are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

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

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

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

xvi Business Combinations Completed Prior to Date of Transition to IFRS

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

xvii Financial assets

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

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

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

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

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

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

xviii Financial liabilities

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

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

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

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

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

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

The Group uses financial instruments to manage the financial risks associated with the Group's underlying business activities. The forward exchange contracts are used to hedge foreign currency exposures arising on forecast receipts and payments in foreign currencies. These forward contracts are revalued to the rates of exchange at the Statement of Financial Position date and any aggregate unrealised gains and losses arising on revaluation are included in profit or loss. The Group does not undertake any trading activity in financial instruments.

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

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

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

In the Consolidated Statement of Cash Flows, 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 balance sheet, bank overdrafts are netted against cash and cash equivalent in the statement of cash flows where the offsetting criteria are met.

xxi 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

xxii 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.

xxiii 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.

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

The assets and liabilities in the Financial Statements of foreign subsidiaries are translated at the rate of exchange ruling at the Statement of Financial Position date. Income and expenses are translated at the actual rate. Transactions in currencies other than the functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and any exchange differences arising are taken to the Income Statement.

For consolidation purposes, the assets and liabilities of foreign operations are translated at closing exchange rates. Income statements of such undertakings are consolidated at average rates of exchange as an approximation for actual rates during the year. Exchange differences arising on these translations are accounted for in the translation reserve in Other Comprehensive Income (OCI). On divestment, these exchange differences are reclassified from the translation reserve to the Income Statement.

xxiv 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 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.
- 'Translation of foreign operations' represents the foreign currency differences arising on translating foreign operations into the presentational currency of the Group.
- 'Retained earnings' represents retained profits.

xxv Alternative performance measures
Alternative performance measures used within the Group's Annual Report are explained within Note 25.

xxvi 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:

Provisions in respect of recoverability of trade receivables
The Group's policy for default risk over receivables is based on the on-going evaluation of the collectability and ageing analysis of trade and other receivables. Considerable judgement is required in assessing the ultimate realisation of these receivables, including reviewing the potential likelihood of default, the past collection history of each customer and the current economic conditions. As a result, provisions for impairment of trade receivables have been recognised, as discussed in Note 15.

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. These assumptions are set out in Note 11.

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.

2018 All amounts in £'000	**UK Engineering**	**UK Technology**	**International**	**Underlying**	**Non-underlying items and amortisation and impairment of acquired intangibles**	**Group Total**
Revenue	**451,738**	**159,626**	**56,180**	**667,544**	**–**	**667,544**
Gross profit	**47,567**	**16,599**	**14,697**	**78,863**	**–**	**78,863**
Operating contribution	**26,033**	**7,617**	**4,814**	**38,464**	**–**	**38,464**
Depreciation, impairment and amortisation	**(694)**	**(247)**	**(86)**	**(1,027)**	**(36,011)**	**(37,038)**
Central overheads	**(14,478)**	**(6,051)**	**(2,626)**	**(23,155)**	**(1,676)**	**(24,831)**
Profit/(loss) from operations	**10,861**	**1,319**	**2,102**	**14,282**	**(37,687)**	**(23,405)**
Finance costs, net						**(1,454)**
Loss before tax						**(24,859)**

2017 All amounts in £'000	UK Engineering	UK Technology	International	Underlying	Non-underlying items and amortisation and impairment of acquired intangibles	Group Total
Revenue	420,782	158,374	63,209	642,365	–	642,365
Gross profit	43,080	16,178	15,450	74,708	–	74,708
Operating contribution	23,759	7,061	5,619	36,439	–	36,439
Depreciation and amortisation	(588)	(220)	(88)	(896)	(3,074)	(3,970)
Central overheads	(9,683)	(4,525)	(3,947)	(18,155)	(1,610)	(19,765)
Profit/(loss) from operations	13,488	2,316	1,584	17,388	(4,684)	12,704
Finance costs, net						(1,196)
Profit before tax						11,508

A segmental analysis of total assets has not been included as this information is not used by the Board; the majority of assets are centrally held and are not allocated across the reportable segments.

Geographical information

	Revenue		Non-current assets	
All amounts in £'000	**2018**	2017	**2018**	2017
UK	**608,540**	579,156	**19,794**	54,659
Rest of Europe	**2,824**	773	**2**	–
Middle East and Africa	**14,588**	22,378	**63**	204
Americas	**25,280**	21,150	**139**	194
Asia Pacific	**16,312**	18,908	**106**	22
Total	**667,544**	642,365	**20,104**	55,079

Revenue and non-current assets are allocated to the geographical market as reported internally to the Board.

Largest customers
No single client contributed more than 10% of the Group's revenues (2017: none).
All revenues are derived from contract and permanent recruitment services in the Private and Public Sectors.

3 (Loss)/Profit from Operations

	2018 £'000	2017 £'000
(Loss)/profit from operations is stated after charging/(crediting):		
Depreciation (Note 12)	**686**	609
Amortisation of acquired intangibles (Note 11)	**2,691**	3,074
Amortisation of software and software licences (Note 11)	**341**	287
Impairment of goodwill and acquired intangibles (Note 11)	**33,320**	–
Profit on disposal of property, plant and equipment	**(14)**	(9)
Operating lease costs:		
Plant and machinery	**369**	424
Land and buildings	**2,319**	2,297
Share-based payment charge	**324**	774
Net gains on foreign currency translation (note 5)	**(86)**	(36)

The aggregate auditors' remuneration was as follows:

	2018 £'000	2017 £'000
Fees payable for the audit of the Parent Company Financial Statements	**10**	10
Fees payable for the audit of the Subsidiary Company Financial Statements	**255**	263

Total auditors' remuneration	**265**	273
Non-audit services:		
Taxation	**–**	188
Other services pursuant to legislation	**–**	16
Total non audit services	**–**	204

Non-underlying items were as follows:

	2018 £'000	2017 £'000
Acquisition costs[1]	**–**	174
Other non-underlying items[2]	**1,676**	1,436
Non-underlying items included in (loss)/profit from operations	**1,676**	1,610

1 In 2017 acquisition costs of £174,000 were incurred due to the acquisition of Resourcing Solutions Limited, these costs were considered as non-underlying due to their one-off nature and incidence.
2 Other non-underlying items of £1,676,000 (2017: £1,436,000) were incurred in the year relating integration costs of £227,000 (2017: £362,000) and restructuring costs of £1,449,000 (2017: £1,074,000).

4 Particulars of Employees

The average number of staff employed by the Group during the financial year amounted to:

	2018 No.	2017 No.
Sales	**625**	601
Administration	**226**	221
Directors	**9**	10
Total	**860**	832

There are no employees employed by the Parent Company (2017: nil).

The aggregate payroll costs of the above were:

	2018 £'000	2017 £'000
Wages and salaries	**39,865**	35,975
Social security costs	**4,929**	3,957
Other pension costs	**1,835**	1,484
Total	**46,629**	41,416

Disclosure of the remuneration of Group's key management personnel, as required by IAS 24, is detailed below. Disclosure of the remuneration of the statutory Directors is further detailed in the audited part of the Remuneration Report on pages 52 to 57.

	2018 £'000	2017 £'000
Short-term employee benefits	**1,770**	2,016
Post-employment benefits	**130**	128
Share-based payments	**(86)**	287
Total	**1,814**	2,431

5 Finance Income

	2018 £'000	2017 £'000
Interest receivable	**112**	8
Net gains on foreign currency translation	**86**	36
Total	**198**	44

6 Finance Costs

	2018 £'000	2017 £'000
Bank interest payable	**1,537**	1,154
Amortisation of capitalised finance costs	**115**	86
Total	**1,652**	1,240

7 Dividends

	2018 £'000	2017 £'000
Equity dividends paid during the year at 20.0 pence per share (2017: 23.0 pence)	**6,441**	7,195
Equity dividends proposed after the year end (not recognised as a liability) at 0.0 pence per share (2017: 17.0p)	**–**	5,406

8 Parent Company Profit

	2018 £'000	2017 £'000
The amount of profit dealt with in the accounts of the Company is:	**4,670**	6,278

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

9 Taxation

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax	**1,271**	1,808
Overseas corporation tax	**2,386**	3,063
Adjustments in respect of prior years	**409**	236
	4,066	5,107
Deferred tax credit (Note 14)	**(1,849)**	(947)
Income tax expense	**2,217**	4,160

UK corporation tax has been charged at 19.0% (2017: 19.7%).

The charge for the year can be reconciled to the (loss)/profit before taxation as per the Income Statement as follows:

	2018 £'000	2017 £'000
(Loss)/profit before tax	**(24,859)**	11,508
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19.0% (2017: 19.7%)	**(4,723)**	2,267
Expenses not deductible for tax purposes	**4,220**	103
Effect of share-based payments	**(12)**	(190)
Irrecoverable withholding tax	**1,389**	1,976
Overseas losses not recognised as deferred tax assets	**132**	57
Difference between UK and overseas tax rates	**146**	271
Total tax charge excluding adjustments in respect of prior periods	**1,152**	4,484
Adjustments to tax charge in respect of previous periods	**1,065**	100
Changes in UK tax rates	**–**	(424)
Total tax charge for period	**2,217**	4,160

Tax charge recognised in other comprehensive income:

	2018 £'000	2017 £'000
Deferred tax recognised directly in equity	**(211)**	(121)
Total tax recognised in other comprehensive income	**(211)**	(121)

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

As these changes of rates have been enacted at the financial position date, the impact of these reductions has been reflected in the deferred tax liability at 31 July 2018.

Reconciliation of statutory to underlying tax charge:

	2018 £'000	2017 £'000
Income tax expense	**2,217**	4,160
Impairment and amortisation of acquired intangibles	**2,704**	606
Non-underlying items	**318**	317
Foreign currency exchange differences	**(17)**	(7)
Underlying income tax expense	**5,222**	5,076

10 Earnings per Ordinary Share
Earnings per share has been calculated by dividing the consolidated (loss)/profit after taxation attributable to equity holders of the parent company 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.

The Group has dilutive potential ordinary shares, being the LTIP and zero-priced share options (Note 21). 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.

There are no changes to the profit (numerator) as a result of the dilutive calculation.

	2018 £'000	2017 £'000
(Loss)/profit after tax attributable to ordinary shareholders	**(27,351)**	7,348

Number of shares	**'000s**	'000s
Weighted average number of ordinary shares in issue	**32,079**	31,453
Effect of dilutive potential ordinary shares under option	**–**	939
Total	**32,079**	32,392

Share incentive plans (Note 21) are treated as dilutive when, at the reporting date, they would be issuable had the performance period ended at that date.

	2018 pence	2017 pence
Earnings per share		
Basic	**(85.3)**	23.4
Diluted	**(85.3)**	22.7

11 Intangible Assets

Group	Goodwill £'000	Customer relationships £'000	Trade names £'000	Other £'000	Software and software licences £'000	Total £'000

Cost	At 1 August 2016	26,094	20,152	4,907	2,686	1,958	55,797
	Additions	–	–	–	–	512	512
	Acquisitions	2,645	2,093	419	1,123	–	6,280
	At 31 July 2017	28,739	22,245	5,326	3,809	2,470	62,589
	Additions	–	–	–	–	899	899
	At 31 July 2018	**28,739**	**22,245**	**5,326**	**3,809**	**3,369**	**63,488**
Amortisation and impairment	At 1 August 2016	–	3,496	1,441	1,378	1,111	7,426
	Amortisation charge for the year	–	2,145	423	506	287	3,361
	At 31 July 2017	–	5,641	1,864	1,884	1,398	10,787
	Amortisation charge for the year	–	1,814	343	534	341	3,032
	Impairment	21,779	9,243	1,833	465	–	33,320
	At 31 July 2018	**21,779**	**16,698**	**4,040**	**2,883**	**1,739**	**47,139**
Net book value	At 31 July 2017	28,739	16,604	3,462	1,925	1,072	51,802
	At 31 July 2018	**6,960**	**5,547**	**1,286**	**926**	**1,630**	**16,349**

Within Intangible assets, the following are individually material based on cost at acquisition:

	Cost at 31 July 2018 £'000	**Carrying value 2018 £'000**	Cost at 31 July 2017 £'000	Carrying value 2017 £'000	**Remaining amortisation period at 31 July 2018 Years**
Within Customer Relationships:					
Networkers Telecoms customer relationship	**7,620**	**1,729**	7,620	5,842	**7**
Networkers IT customer relationship	**9,421**	**985**	9,421	7,193	**7**
Within Trademarks:					
Networkers Telecoms trademark	**3,785**	**930**	3,785	2,964	**8**

Other intangibles comprises candidate databases and non-compete agreements.

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

Goodwill is allocated to CGUs, which are determined as the lowest level of detail available for the assets that generate cash inflows relating to the goodwill. From 1 August 2017, the determination of the CGUs was changed to better align to the way the Group has changed over time.

	2018 £'000	2017 £'000
Professional Services	**–**	1,643
UK Engineering	**1,712**	1,712
UK Technology	**–**	11,611
International	**2,603**	11,128
Resourcing Solutions Limited	**2,645**	2,645
Total	**6,960**	28,739

Changes to CGU reporting from the 2017 audited Financial statements.

For the year to 31 July 2017, a change in reported segments was made to separate UK and International business. As a result, the CGUs were presented on a different basis to the table above. The analysis below reconciles the change in CGU allocations for the year to 31 July 2017:

	2017 restated £'000	Adjustments £'000	2017 £'000
Professional Services	1,643	–	1,643
UK Engineering	1,712	2,667	4,379
UK Technology	11,611	8,461	20,072
International	11,128	(11,128)	–
Resourcing Solutions Limited	2,645	–	2,645
Total	28,739	–	28,739

The recoverable amounts of the CGUs for the purposes of monitoring goodwill are determined from value-in-use calculations. Common assumptions have been adopted for the purposes of testing goodwill across the business as the risk profiles are similar. Key assumptions used when estimating the net present value of future cash flows are as follows:

Profit from operations

Profit from operations is based on the latest five year forecast approved by the Group's Board of Directors which is prepared using expectations of revenue and operating cost growth over the next five years. The Group prepares cash flow forecasts based on the most recent forecast information approved by the Directors, adjusted for allocations of Group overhead costs, and extrapolates cash flows into perpetuity based on long-term growth rates.

Discount rates

The pre-tax rates used to discount the forecast cash flows were a range from 12.9% to 13.3% (2017: 15.4%) reflecting the Group's weighted average cost of capital, adjusted for specific risks associated with the asset's estimated cash flows. The discount rate is based on the weighted average cost of capital (WACC). The risk-free rate, based on government bond rates, is adjusted for equity and industry risk premiums, reflecting the increased risk compared to an investor who is investing the market as a whole. Net present values are calculated using pre-tax discount rates derived from the Group's post-tax WACC of 11.0% (2017: 10.2%).

Growth rates

The medium-term growth rates are based on management forecasts, reflecting past experience and economic environment. Long-term growth rates are based on management forecasts, consistent with external sources of an average estimated growth rate of 2.7% (2017: 2.5%), based on weighted average of operating country real GDP growth expectations.

Impairment testing

Goodwill and intangible assets were tested for impairment at the year end in accordance with the Group's accounting policy, by comparing the carrying value of goodwill with the recoverable amount of the CGU's to which goodwill has been allocated.

Total impairment losses of £33,320,000 have been recorded in respect of goodwill and intangibles within the UK Technology, International and Professional Services CGU's, as follows:

	Goodwill £'000	**Intangible assets £'000**	**Total £'000**
UK Technology	**11,611**	**9,126**	**20,737**
International	**8,525**	**1,961**	**10,486**
Professional Services	**1,643**	**454**	**2,097**
Total	**21,779**	**11,541**	**33,320**

Goodwill and intangibles within the Professional Services CGU, which wholly related to the Provanis acquisition, have been fully impaired as the business has been de-branded and fully integrated into the Group's existing Technology business. The recoverable amount of the Professional Services CGU at 31 July 2018 is £nil.

Goodwill and intangibles within the UK Technology and International CGUs relates to the Networkers acquisition and have been impaired due to lower forecasts of trading performance against original expectations at the time of acquisition, primarily as a result of decline in revenues from key clients in the Telecoms sector. The recoverable amounts of the UK Technology CGU and International CGU at 31 July 2018 are £11,737,000 and £14,002,000 respectively.

As noted above for the two CGUs impaired in the year that continue to hold intangible assets, future deterioration in the underlying assumptions could result in the need for further impairments.

12 Property, Plant and Equipment

Group		Motor vehicles £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost	At 1 August 2016	729	1,326	3,655	5,710
	Additions	–	1,559	422	1,981
	Acquisitions	–	–	93	93
	Disposals	(381)	–	(20)	(401)
	At 31 July 2017	348	2,885	4,150	7,383
	Additions	–	1,431	422	1,853
	Disposals	(296)	–	(19)	(315)
	Effects of movements in exchange rates	–	–	2	2
	At 31 July 2018	**52**	**4,316**	**4,555**	**8,923**
Accumulated depreciation	At 1 August 2016	551	872	3,162	4,585
	Charge for the year	39	198	372	609
	Released on disposal	(315)	–	–	(315)
	At 31 July 2017	275	1,070	3,534	4,879
	Charge for the year	12	313	361	686
	Released on disposal	(243)	–	(19)	(262)
	At 31 July 2018	**44**	**1,383**	**3,876**	**5,303**
Net book value	At 31 July 2017	73	1,815	616	2,504
	At 31 July 2018	**8**	**2,933**	**679**	**3,620**

Included within leasehold improvements is a cost of £1,390,000 (2017: £1,390,000) relating to the dilapidations provision (Note 16).

There were no capital commitments as at 31 July 2018 or 31 July 2017.

13 investments

	Company	
	2018 £'000	2017 £'000
Investment in Group companies at 1 August	**7,987**	7,213
Movement in investment in Group companies	**324**	774
Investment in Group companies at 31 July	**8,311**	7,987

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

Subsidiary undertakings

Company	Registered office	Country of incorporation	% held 2018	% held 2017	Main activities
Matchtech Group (Holdings) Limited[3]	1	United Kingdom	100%	100%	Holding
Matchtech Group Management Company Limited[4]	1	United Kingdom	100%	100%	Non trading
Matchtech Group (UK) Limited[3]	1	United	99.998%	99.998%	Provision of recruitment consultancy

		Kingdom			
Matchtech Engineering Limited[4]	1	United Kingdom	100%	100%	Non trading
Matchtech Limited[4]	1	United Kingdom	100%	100%	Non trading
Barclay Meade Limited[3]	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Alderwood Education Limited [3]	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Gattaca Solutions Limited[3]	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Connectus Technology Limited[3]	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Gattaca Recruitment Limited[4]	1	United Kingdom	100%	100%	Non trading
Gattaca GmbH	2	Germany	100%	100%	Provision of recruitment consultancy
Gattaca BV	3	Netherlands	100%	100%	Non trading
Matchtech Engineering Inc.	4	United States	100%	100%	Non trading
Application Services Limited[3]	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Provanis Limited[4]	1	United Kingdom	100%	100%	Non trading
Networkers International Limited[3]	5	United Kingdom	100%	100%	Holding
Networkers International (UK) Limited[3]	5	United Kingdom	100%	100%	Provision of recruitment consultancy
Networkers International LLC	6	United States	100%	100%	Non trading
Networkers Inc.	6	United States	100%	100%	Provision of recruitment consultancy
NWI de Mexico S. de R.L. de C.V.	7	Mexico	100%	100%	Provision of recruitment consultancy
Networkers International South Africa Proprietary Limited	8	South Africa	100%	87%	Provision of recruitment consultancy
Networkers International Proprietary Limited	8	South Africa	100%	100%	Provision of recruitment consultancy
Kithara Limited	8	South Africa	100%	100%	Holding
Networkers International (China) Co. Limited	9	China	100%	100%	Provision of recruitment consultancy
Networkers International (Malaysia) Sdn Bhd	10	Malaysia	100%	100%	Provision of recruitment consultancy
Networkers International (Canada) Inc.	11	Canada	100%	100%	Provision of recruitment consultancy
Networkers International Trustees Limited[4]	5	United Kingdom	100%	100%	Non trading
The Comms Group Limited[3]	5	United Kingdom	100%	100%	Holding
CommsResources Limited[3]	4	United Kingdom	100%	100%	Provision of recruitment consultancy
Gattaca Malaysia Sdn. Bhd	10	Malaysia	100%	100%	Provision of recruitment consultancy
Comms Software Limited[4]	5	United Kingdom	100%	100%	Non trading
Gattaca de Colombia SAS	12	Colombia	100%	100%	Non trading
Elite Computer Staff Limited[4]	5	United Kingdom	100%	100%	Non trading
NWKI Consultancy FZ LLC	13	Dubai	100%	100%	Provision of recruitment consultancy
Networkers Recruitment Services Limited[4]	5	United Kingdom	100%	100%	Non trading
MSB International GmbH	14	Germany	100%	100%	Non trading
NWKI Communications LLC[2]	13	Dubai	49%	49%	Provision of recruitment consultancy
Networkers Consultancy (Singapore) PTE. Limited	15	Singapore	100%	100%	Non trading
Cappo Group Limited[3]	5	United Kingdom	100%	100%	Holding

Cappo Inc.	6	United States	100%	100%	Provision of recruitment consultancy
Cappo International Limited[3]	5	United Kingdom	100%	100%	Provision of recruitment consultancy
Cappo Qatar LLC[2]	16	Qatar	49%	49%	Provision of recruitment consultancy
Networkers Consultoria Em Technologia da Informacao Limiteda	17	Brazil	100%	100%	Non trading
Resourcing Solutions Limited[1,3]	18	United Kingdom	100%	70%	Provision of recruitment consultancy
MSB Consulting Services Limited[4]	5	United Kingdom	100%	100%	Non trading
Gattac SAS	19	France	100%	100%	Provision of recruitment consultancy
Gattaca Recruitment ETT, SLU	20	Spain	100%	100%	Non trading
Gattaca Information Technology Services SLU	20	Spain	100%	100%	Provision of recruitment consultancy

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

All holdings are held as Ordinary share capital.

1 In 2018, the Group acquired the remaining 30% stake in Resourcing Solutions Limited for consideration of £3,552,000.
2 Gattaca plc has 100% of the beneficial interest in these entities, and consolidates them as wholly owned subsidiaries in line with IFRS 10.
3 For the year ended 31 July 2018, Gattaca plc has provided a legal guarantee under s479C of the Companies Act 2006 to these subsidiaries for audit exemption.
4 These dormant companies are exempt from preparing individual accounts by virtue of s394A of Companies Act 2006.

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3 Herengracht 124–128, 1015 BT Amsterdam, Netherlands
4 33 SW Flager Avenue, Stuart, Florida, USA
5 Hanover Place, 8 Ravensbourne Road, Bromley, Kent, BR1 1HP, subsequent to the year end the registered office changed to 1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AF
6 6400 International parkway, 1510, Plano TX 75093, USA
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18 Ruscombe Park, Reading, RG10 9JW
19 1 Rue Favart, 75002, Paris, France
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14 Deferred Tax

	Asset 2018 £'000	**Liability 2018 £'000**	**Net 2018 £'000**	**Credited/(charged) to profit 2018 £'000**	**Charged to equity 2018 £'000**	**Foreign exchange 2018 £'000**
Share-based payments	**92**	**–**	**92**	**(142)**	**(211)**	**–**
Depreciation in excess of capital allowances	**43**	**–**	**43**	**(74)**	**–**	**–**
Accelerated capital allowances	**–**	**(1,398)**	**(1,398)**	**2,516**	**–**	**–**
Other temporary and deductible differences	**–**	**(238)**	**(238)**	**(451)**	**–**	**2**
Net deferred tax assets/(liabilities)	**135**	**(1,636)**	**(1,501)**	**1,849**	**(211)**	**2**

	Asset 2017 £'000	Liability 2017 £'000	Net 2017 £'000	(Charged)/ credited to profit 2017 £'000	Charged to equity 2017 £'000	Foreign exchange 2018 £'000
Share-based payments	445	–	445	(109)	(121)	–
Depreciation in excess of capital allowances	117	–	117	9	–	–
Acquired intangibles	–	(3,914)	(3,914)	1,027	–	–
Other temporary and deductible differences	211	–	211	20	–	5

Net deferred tax assets/(liabilities)	773	(3,914)	(3,141)	947	(121)	5

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

	Group	
	2018 £'000	2017 £'000
At 1 August	**(3,141)**	(3,317)
Acquired intangibles	**–**	(655)
Recognised in income (Note 9)	**1,849**	947
Recognised in equity	**(211)**	(121)
Foreign exchange	**2**	5
At 31 July	**(1,501)**	(3,141)

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

	Group	
	2018 £'000	2017 £'000
Deferred tax assets reversing within 1 year	**20**	626
Deferred tax liabilities reversing within 1 year	**(469)**	(611)
	(449)	15

	Group	
	2018 £'000	2017 £'000
Deferred tax assets reversing after 1 year	**115**	147
Deferred tax liabilities reversing after 1 year	**(1,167)**	(3,303)
	(1,052)	(3,156)

Unrecognised deferred tax assets

	Group	
	2018 £'000	2017 £'000
Tax losses carried forward against profits of future years	**537**	472
Depreciation in excess of capital allowances	**45**	45
Other temporary and deductible differences	**645**	645
Net deferred tax assets	**1,227**	1,162

Of unused tax losses of £1,730,000 (2017: £1,442,000) can be carried forward indefinitely and £99,000 (2017: £nil) expires within 20 years. No deferred tax is recognised on unremitted earnings of overseas subsidiaries as the Group is in a position to control the timing of the reversal of temporary differences and it is probable that such differences will not reverse in the foreseeable future. The temporary differences associated with the investments in subsidiaries for which a deferred tax liability has not been recognised aggregate to £10,617,000 (2017: £9,595,000). If the earnings were remitted, tax of £191,000 (2017: £177,000) would be payable.

The UK corporation tax rate reduced from 20% to 19% from 1 April 2017 and will reduce further to 17% from 1 April 2020. Deferred tax has been valued based on the substantively enacted rates at each balance sheet date at which the deferred tax is expected to reverse.

15 Trade and Other Receivables

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade receivables	**81,773**	82,296	**–**	–
Amounts owed by Group companies	**–**	–	**94,925**	86,606
Corporation tax receivable	**241**	–	**–**	–

Other receivables	**1,351**	1,729	**2**	2
Prepayments	**1,600**	2,291	**–**	–
Accrued income	**27,947**	28,681	**–**	–
Total	**112,912**	114,997	**94,927**	86,608

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

Accrued income largely comprises timing differences between receipt of a client-approved timesheet and an invoice being raised, as well as smaller differences between the time that a worker delivers services and receipt of a client-approved timesheet.

Amounts owed by group companies are unsecured, repayable on demand and accrue no interest

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £14,162,000 (2017: £15,661,000) which are past due at the reporting date for which the Group has not provided as the Directors believe the amounts to be recoverable in full. The Group does not hold any collateral over these balances.

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

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

Ageing of past due but not impaired trade receivables:

	Group	
	2018 £'000	2017 £'000
0–30 days	**8,243**	9,007
30–60 days	**3,027**	3,233
60–90 days	**1,628**	1,463
90+ days	**1,264**	1,958
Total	**14,162**	15,661

Movement in the allowance for doubtful debts:

	Group	
	2018 £'000	2017 £'000
At 1 August	**1,028**	915
Acquisitions	**–**	42
Impairment losses recognised	**519**	71
At 31 July	**1,547**	1,028

Ageing of impaired trade receivables:

	Group	
	2018 £'000	2017 £'000
Not past due at reporting date	**–**	–
0–30 days	**83**	–
30–60 days	**104**	–
60–90 days	**33**	–
90+ days	**1,327**	1,028
Total	**1,547**	1,028

16 Provisions

	Group	
	2018 £'000	2017 £'000
At 1 August	**1,596**	602
Increase in year	**43**	994
Provisions released during the year	**(249)**	–
At 31 July	**1,390**	1,596
Non-current	**1,390**	1,596
Current	**–**	–
Total	**1,390**	1,596

The above relates to dilapidation provisions based on the requirement to return leased buildings to their original condition at the end of the lease term. The provision relates to offices held under lease arrangements that expire between August 2018 and March 2027.

17 Trade and Other Payables

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade payables	**2**	159	**–**	–
Amounts owed to group companies	**–**	–	**47,647**	32,031
Taxation and social security	**10,144**	8,627	**–**	–
Contractor wages payable	**16,560**	19,015	**–**	–
Accruals and deferred income	**11,980**	9,882	**–**	–
Other payables	**2,164**	1,307	**–**	–
Total	**40,850**	38,990	**47,647**	32,031

Accruals largely relate to staff costs, and lease arrangements. Amounts payable to group companies are unsecured, repayable on demand and accrue no interest.

18 Loans and Borrowings

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Working capital facility	**35,859**	25,693	**–**	–
Finance costs capitalised	**(158)**	(67)	**–**	–
Bank loans and borrowings due in less than one year	**35,701**	25,626	**–**	–
Term loan	**15,000**	20,714	**15,000**	20,714
Finance costs capitalised	**(69)**	(250)	**(69)**	(250)
Bank loans and borrowings due in more than one year	**14,931**	20,464	**14,931**	20,464
Total bank loans and borrowings	**50,632**	46,090	**14,931**	20,464

At 31 July the Group had agreed banking facilities with HSBC totalling £95m comprising a £75m Invoice Financing facility and a £20m Term Loan Facility. Subsequent to the year end, the facility was amended with the Term Loan Facility reduced from £20m to £15m, providing total banking facilities of £90m committed until October 2020.

The Group has working capital facilities with HSBC which are secured by way of an all assets debenture, which contains fixed and floating charges over the assets of the Group. This facility allows the Company to borrow up to 90% of its invoiced debtors up to a maximum of £75m. Interest is charged on borrowings at a rate of 1.6% (2017: 1.1%) over HSBC Bank base rate.

At 31 July 2018 the Group has a £20m (2017: £30m) Term Loan Facility agreement with HSBC which is secured by way of a fixed and floating charge over assets of the Group. Interest is charged on borrowings at a rate of 3.25% (2017: 3.0%) over HSBC LIBOR rate.

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

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

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade and other receivables				
Loans and receivables	**111,071**	112,706	**94,927**	86,608
Cash and cash equivalents				
Loans and receivables	**9,758**	5,802	**–**	–
Total	**120,829**	118,508	**94,927**	86,608

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

	Group	
	2018 £'000	2017 £'000
Borrowings		
Financial liabilities recorded at amortised cost	**50,632**	46,090
Trade and other payables		
Financial liabilities recorded at amortised cost	**30,706**	30,363
Total	**81,338**	76,453

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

20 Commitments Under Operating Leases
The Group had commitments to pay the following amounts under non-cancellable operating leases as set out below:

			Group	
			2018 £'000	2017 £'000
Land/buildings	Payments falling due:	within 1 year	**2,067**	2,454
		within 1 to 5 years	**6,894**	7,950
		after 5 years	**4,670**	6,419
Other	Payments falling due:	within 1 year	**183**	364
		within 1 to 5 years	**176**	510

21 Share Capital
Authorised share capital

	Company	
	2018 £'000	2017 £'000
40,000,000 (2017: 40,000,000) ordinary shares of £0.01 each	**400**	400

Allotted, called up and fully paid:

	Company	
	2018 £'000	2017 £'000

32,256,000 (2017: 31,801,000) ordinary shares of £0.01 each	**323**	318

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

	Company	
	2018 '000s	2017 '000s
In issue at 1 August	**31,801**	31,167
Exercise of share options	**455**	634
In issue at 31 July	**32,256**	31,801

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

	2018 '000s	2017 '000s	Date of grant	Exercise price pence	Exercise period From	Exercise period To
Zero Priced Share Option Bonus	**1**	1	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Option Bonus	**1**	1	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	**1**	1	04/02/2011	1	03/02/2013	04/02/2021
Zero Priced Share Option Bonus	**1**	1	04/02/2011	1	03/02/2014	04/02/2021
Zero Priced Share Option Bonus	**1**	1	31/01/2012	1	30/01/2014	31/01/2022
Zero Priced Share Option Bonus	**1**	2	31/01/2012	1	30/01/2015	31/01/2022
Zero Priced Share Option Bonus	**2**	3	31/01/2013	1	30/01/2015	31/01/2023
Zero Priced Share Option Bonus	**4**	7	31/01/2013	1	30/01/2016	31/01/2023
Zero Priced Share Option Bonus	**6**	6	01/01/2014	1	01/01/2016	01/01/2024
Zero Priced Share Option Bonus	**41**	53	01/01/2014	1	01/01/2017	01/01/2024
Zero Priced Share Option Bonus	**5**	7	28/01/2015	1	28/01/2017	28/01/2025
Zero Priced Share Option Bonus	**35**	92	28/01/2015	1	28/01/2018	28/01/2025
Zero Priced Share Option Bonus	**–**	31	30/01/2015	1	30/01/2018	30/01/2025
Zero Priced Share Option Bonus	**–**	5	26/06/2015	1	26/06/2018	26/06/2025
Value Creation Plan	**–**	380	02/07/2015	1	18/11/2017	18/11/2021
Zero Priced Share Option Bonus	**10**	–	16/10/2015	1	16/10/2018	16/10/2025
Long Term Incentive Plan Options	**13**	33	11/02/2016	1	11/02/2019	11/02/2026
Zero Priced Share Option Bonus	**–**	65	11/02/2016	1	11/02/2018	11/02/2026
Zero Priced Share Option Bonus	**60**	65	11/02/2016	1	11/02/2019	11/02/2026
Long Term Incentive Plan Options	**–**	23	11/02/2016	225	11/02/2018	11/02/2026
Long Term Incentive Plan Options	**15**	23	11/02/2016	225	11/02/2019	11/02/2026
Zero Priced Share Option Bonus	**62**	159	03/02/2017	1	03/02/2020	03/02/2027
Zero Priced Share Option Bonus	**122**	176	31/01/2017	1	31/01/2020	31/01/2027
Long Term Incentive Plan Options	**83**	92	31/01/2017	72	31/01/2019	31/01/2027
Long Term Incentive Plan Options	**83**	92	31/01/2017	72	31/01/2020	31/01/2027
Long Term Incentive Plan Options	**55**	79	31/01/2017	145	31/01/2019	31/01/2027
Long Term Incentive Plan Options	**55**	79	31/01/2017	145	31/01/2020	31/01/2027
Total	**657**	1,477				

No share options were granted during 2018.

During 2017, the Group granted share options under a Zero Priced Share Option for Executive Directors and senior management, and Long Term Incentive Plan (LTIP) Options for key staff. The Zero Priced Share Options were granted on 31 January and 3 February 2017 to members of staff subject to a three year holding period and are subject to an TSR, EPS and share price performance targets. The Long Term incentive Plan Options were granted to staff on 31 January 2017 and are subject to a Share Price performance target. The Long Term Incentive Plan Options were granted to staff on 31 January 2017 and are subject to two and three year holding periods with a release price of 290 pence per share. All share options have a life of 10 years and are equity settled on exercise.

The movement in share options is shown below:

	2018			2017		
	Number ‘000s	**Weighted average exercise price (pence)**	**Weighted average share price (pence)**	Number ‘000s	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1 August	**1,477**	**30.4**	**–**	1,650	9.3	–
Granted	**–**	**22.6**	**–**	758	51.1	–
Forfeited/lapsed	**(365)**	**40.5**	**–**	(182)	31.1	–
Exercised	**(455)**	**1.7**	**276.6**	(749)	1.0	293.3
Outstanding at 31 July	**657**	**48.2**		1,477	30.4	
Exercisable at 31 July	**109**	**1.0**		83	1.0	

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

	2018			2017		
Exercise Date	**Weighted average remaining contract life (months)**	**Number ‘000s**	**Weighted average exercise price (pence)**	Weighted average remaining contract life (months)	Number ‘000s	Weighted average exercise price (pence)
18/11/2017	**–**	**–**	**–**	4	380	1.0
28/01/2018	**–**	**–**	**–**	6	92	1.0
30/01/2018	**–**	**–**	**–**	6	31	1.0
11/02/2018	**–**	**–**	**–**	7	88	60.0
26/06/2018	**–**	**–**	**–**	11	5	1.0
31/01/2019	**6**	**138**	**101.8**	18	171	105.6
11/02/2019	**7**	**88**	**41.1**	19	121	44.5
31/01/2020	**18**	**260**	**53.8**	30	347	52.5
03/02/2020	**18**	**62**	**1.0**	30	159	1.0
Total		**548**			1,394	

In addition to the share option schemes the Group operated a Share Incentive Plan (SIP), which is an HMRC approved plan available to all employees enabling them to purchase shares out of pre-tax salary. For each share purchased the Company grants an additional share at no cost. During the year the company purchased 83,740 shares (2017: 49,604) under this scheme, incurring a charge of £26,723 (2017: £32,480) recognised in the share based payment reserve.

The fair values of the LTIP options were calculated using a Monte Carlo simulation method along with the assumptions detailed below. The fair values of the SIPS were calculated as the market values on the date of the grant adjusted for the assumptions as detailed below.

Date of grant		Share price on the date of grant (£)	Exercise price (£)	Volatility (%)	Vesting period (years)	Dividend yield (%)	Risk free rate of interest (%)	Fair value (£)
05/08/2015	SIP	5.81	0.01	N/A	3.00	N/A	N/A	5.81
04/09/2015	SIP	5.64	0.01	N/A	3.00	N/A	N/A	5.64
05/10/2015	SIP	5.18	0.01	N/A	3.00	N/A	N/A	5.18
15/10/2015	LTIP	5.05	0.01	N/A	3.00	N/A	N/A	4.51
03/11/2015	SIP	5.45	0.01	N/A	3.00	N/A	N/A	5.45
08/12/2015	SIP	5.43	0.01	N/A	3.00	N/A	N/A	5.43
05/01/2016	SIP	5.35	0.01	N/A	3.00	N/A	N/A	5.35
05/02/2016	SIP	5.08	0.01	N/A	3.00	N/A	N/A	5.08
11/02/2016	LTIP	4.35	0.01	21.4%	3.00	5.1%	0.4%	1.45
11/02/2016	LTIP	4.35	2.25	21.4%	3.00	5.1%	0.4%	0.88

11/02/2016	Zero price bonus	4.50	0.01	20.9%	3.00	4.9%	0.5%	3.88
07/03/2016	SIP	4.29	0.01	N/A	3.00	N/A	N/A	4.29
14/04/2016	SIP	4.74	0.01	N/A	3.00	N/A	N/A	4.74
10/05/2016	SIP	4.65	0.01	N/A	3.00	N/A	N/A	4.65
06/06/2016	SIP	4.25	0.01	N/A	3.00	N/A	N/A	4.25
05/07/2016	SIP	3.19	0.01	N/A	3.00	N/A	N/A	3.19
05/08/2016	SIP	3.54	0.01	N/A	3.00	N/A	N/A	3.54
09/09/2016	SIP	3.87	0.01	N/A	3.00	N/A	N/A	3.87
07/10/2016	SIP	3.57	0.01	N/A	3.00	N/A	N/A	3.57
08/11/2016	SIP	3.16	0.01	N/A	3.00	N/A	N/A	3.16
07/12/2016	SIP	2.95	0.01	N/A	3.00	N/A	N/A	2.95
16/01/2017	SIP	2.98	0.01	N/A	3.00	N/A	N/A	2.98
31/01/2017	Zero price bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.27
31/01/2017	Zero price bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.51
31/01/2017	Zero price bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.23
31/01/2017	Zero price bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.49
31/01/2017	LTIP	2.90	0.72	37.9%	2.00	7.9%	0.2%	0.99
31/01/2017	LTIP	2.90	0.72	31.6%	3.00	7.9%	0.3%	0.86
31/01/2017	LTIP	2.90	1.45	37.9%	2.00	7.9%	0.2%	0.80
03/02/2017	LTIP	2.90	1.45	31.6%	3.00	7.9%	0.3%	0.66
07/02/2017	SIP	2.94	0.01	N/A	3.00	N/A	N/A	2.94
07/03/2017	SIP	2.94	0.01	N/A	3.00	N/A	N/A	2.94
07/04/2017	SIP	3.10	0.01	N/A	3.00	N/A	N/A	3.10
09/05/2017	SIP	3.18	0.01	N/A	3.00	N/A	N/A	3.18
07/06/2017	SIP	3.28	0.01	N/A	3.00	N/A	N/A	3.28
07/07/2017	SIP	3.09	0.01	N/A	3.00	N/A	N/A	3.09
07/08/2017	SIP	2.87	0.01	N/A	3.00	N/A	N/A	2.87
08/09/2017	SIP	2.99	0.01	N/A	3.00	N/A	N/A	2.99
09/10/2017	SIP	3.10	0.01	N/A	3.00	N/A	N/A	3.10
08/11/2017	SIP	3.12	0.01	N/A	3.00	N/A	N/A	3.12
08/12/2017	SIP	3.05	0.01	N/A	3.00	N/A	N/A	3.05
09/01/2018	SIP	3.00	0.01	N/A	3.00	N/A	N/A	3.00
08/02/2018	SIP	2.63	0.01	N/A	3.00	N/A	N/A	2.63
08/03/2018	SIP	2.31	0.01	N/A	3.00	N/A	N/A	2.31
12/04/2018	SIP	1.84	0.01	N/A	3.00	N/A	N/A	1.84
09/05/2018	SIP	1.40	0.01	N/A	3.00	N/A	N/A	1.40
08/06/2018	SIP	1.58	0.01	N/A	3.00	N/A	N/A	1.58
09/07/2018	SIP	1.25	0.01	N/A	3.00	N/A	N/A	1.25
08/08/2018	SIP	1.50	0.01	N/A	3.00	N/A	N/A	1.50

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

22 Transactions with Directors and Related Parties

During the year the Group made sales of £152,000 (2017: £381,000) to InHealth Group and purchases of £7,000 from Preventicum UK Limited (2017: £nil) which are related parties by virtue of common directorship of Richard Bradford and also sales of £393,000 (2017: £863,000) to the Waterman Group by virtue of common directorship of Ric Piper. As at the year end, Waterman Group had a balance outstanding of £34,000 (2017: £126,000) and Inhealth Group has a balance outstanding of £5,000 (2017: £26,000). Group policy is for all transactions with related parties to be made on an arm's length basis and no guarantees have been given to, or received from, related parties.

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

During the year Matchtech Group (UK) Limited charged Gattaca plc £803,000 (2017: £921,000) for provision of management services. Further details of transactions with Directors are included in the Director's Remuneration Report.

23 Financial Instruments

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

Maturity of financial liabilities

The following table sets out the contractual maturities of financial liabilities, including interest payments. This analysis assumes that interest rates prevailing at the reporting date remain constant:

Group 2018	**0 to <1 year £'000**	**1 to <2 years £'000**	**2 to <5 years £'000**	**5 years and over £'000**	**Contractual cash flows £'000**
Term loan	**556**	**500**	**15,121**	**–**	**16,177**
Working Capital invoice Financing Facility	**35,907**	**–**	**–**	**–**	**35,907**
Trade payables	**18,725**	**–**	**–**	**–**	**18,725**
Total	**55,188**	**500**	**15,121**	**–**	**70,809**
2017					
Term loan	548	556	500	15,121	16,725
Working Capital Invoice Financing Facility	25,693	–	–	–	25,693
Trade payables	20,481	–	–	–	20,481
Total	46,722	556	500	15,121	62,899

Company 2018	**0 to <1 year £'000**	**1 to <2 years £'000**	**2 to <5 years £'000**	**5 years and over £'000**	**Contractual cash flows £'000**
Term loan	**556**	**500**	**15,121**	**–**	**16,177**
Total	**556**	**500**	**15,121**	**–**	**16,177**
2017					
Term loan	548	556	500	15,121	16,725
Total	548	556	500	15,121	16,725

Borrowing facilities

The Group makes use of working capital facilities and a term loan, details of which can be found in Note 18. The undrawn facility available at 31 July 2018 in respect of which all conditions precedent had been met was as follows:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Expiring in 1 to 5 years	**19,506**	58,593	**5,000**	9,286

The Directors have calculated that the effect on profit of a 100 basis point movement in interest rates would be an expense of £756,000 (2017: expense of £526,000).

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

Foreign currency risk

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

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group has a robust approach to forecasting both net debt and trading results on a monthly basis, looking forward to at least the next two covenant periods. As at 31 July 2018 the Group has financing facilities of £95m comprising a £75m Invoice Financing Facility and a £20m Term Loan Facility. Subsequent to the year end, the facility was amended and Term Loan Facility was reduced from £20m to £15m, making the total banking facilities of £90m until October 2020.

The available financing facilities in place are sufficient to meet the Group's forecast cash flows.

Net foreign currency monetary assets are shown below:

	Group	
	2018 £'000	2017 £'000
US Dollar	**8,371**	8,097
Euro	**5,541**	3,503

The effect of a 25 cent strengthening of the Euro and US Dollar against Sterling at the financial position date on the Euro and US Dollar denominated trade and other receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £3,567,000 (2017: £2,898,000). A 25 cent weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and reduced net assets by £2,353,000 (2017: £1,928,000).

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

24 Capital Management Policies and Procedures
Gattaca plc's capital management objectives are:

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

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

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

	Group	
	2018 £'000	2017 £'000
Total equity	**47,019**	84,702
Cash and cash equivalents	**(9,758)**	(5,802)
Capital	**37,261**	78,900
Total equity	**47,019**	84,702
Borrowings	**50,632**	46,157
Overall financing	**97,651**	130,859
Capital to overall financing ratio	**38%**	60%

25 Alternative performance measures
Alternative performance measures are disclosed below to show the underlying trading performance of the Group

Net debt
Net debt is the total amount of cash and cash equivalents less interest-bearing loans and borrowings. 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.

2018	**1 August**	**Net cash flows**	**Acquisitions**	**Amortisation of**	**31 July**

	2017 £'000	£'000	£'000	financing costs £'000	2018 £'000
Cash and cash equivalents	**5,802**	**3,956**	**–**	**–**	**9,758**
Interest-bearing term loan	**(20,714)**	**5,714**	**–**	**–**	**(15,000)**
Working capital facilities	**(25,693)**	**(10,166)**	**–**	**–**	**(35,859)**
Total net debt	**(40,605)**	**(496)**	**–**	**–**	**(41,101)**
Capitalised finance costs	**317**	**25**	**–**	**(115)**	**227**
Total net debt after capitalised finance costs	**(40,288)**	**(471)**	**–**	**(115)**	**(40,874)**

2017	1 August 2016 £'000	Net cash flows £'000	Acquisitions £'000	Amortisation of financing costs £'000	31 July 2017 £'000
Cash and cash equivalents	7,428	(1,626)	–	–	5,802
Interest-bearing term loan	(13,608)	(7,106)	–	–	(20,714)
Working capital facilities	(18,939)	(2,970)	(3,784)	–	(25,693)
Total net debt	(25,119)	(11,702)	(3,784)	–	(40,605)
Capitalised finance costs	106	250	–	(39)	317
Total net debt after capitalised finance costs	(25,013)	(11,452)	(3,784)	(39)	(40,288)

26 Non-Controlling Interests

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

In 2018, the Group acquired the remaining 30% stake in Resourcing Solutions Limited for consideration of £3,552,000. From that date, it was consolidated as a wholly owned subsidiary with no non-controlling interest.

27 Contingent liabilities

The Group is subject to corporate and other tax rules in the jurisdictions where it conducts its business operations. Changes in tax rates, tax reliefs and tax laws, changes in practice or interpretation of the law by the relevant tax authorities, increasing challenges by relevant tax authorities on transfer pricing and other matters, or any failure to manage tax risks adequately could result in increased charges, financial loss, penalties and reputational damage, which may materially adversely affect the Group's financial condition and results of operations.

The Group is currently reviewing the systems and processes in respect of their compliance obligations under the Construction Industry Scheme ('CIS'). As part of this review the Group has sought guidance from the tax authorities as to the correct interpretation of the current CIS legislation.

If HMRC disagree with our current interpretation, this could lead to increased tax liabilities in excess of those provided in the Group's Balance Sheet, and result in additional tax payments becoming due, which may also be subject to interest charges from the relevant authority. The Group has taken external advice and considers that it has strong support for its position. However, the timing and resolution of this issue is uncertain.

28 Events after the reporting date

On 4 September 2018 the Company announced that it is withdrawing from the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as its operations in Dubai, Malaysia and Qatar. Given the timing of the announcement, these are not disclosed as discontinued operations in the Financial Statements for the year ended 31 July 2018.