

Gattaca plc**Preliminary Results for the year ended 31 July 2019****'Establishing a strong platform for future long-term growth'**

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 2019.

Financial Highlights

| | 2019 | | 2018 | | Continuing Reported | Continuing underlying ² |
|-----------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|---------------------|------------------------------------|
| | Continuing Reported | Continuing underlying ² | Continuing Reported | Continuing underlying ² | | |
| | £m | £m | £m | £m | | |
| Revenue | 635.8 | 635.8 | 631.3 | 631.3 | +1% | +1% |
| Net Fee Income (NFI) ¹ | 70.6 | 70.6 | 71.4 | 71.4 | -1% | -1% |
| Profit / (loss) from operations | 4.8 | 13.4 | (25.3) | 12.4 | n/a | +8% |
| Profit / (loss) before taxation | 3.1 | 11.4 | (26.7) | 10.9 | n/a | +5% |
| Basic earnings per share | 4.9 | 27.5 | (85.4) | 22.5 | n/a | +22% |
| Diluted earnings per share | 4.8 | 26.7 | (85.4) | 22.5 | n/a | +19% |
| Dividend per share | | 0 | | 3.0 | | |
| Net debt at end of period | | 24.8 | | 40.9 | | (16.1) |

Financial Performance

- Continuing underlying PBT £11.4m (2018: £10.9m) up 5%
- Basic continuing underlying EPS of 27.5p (2018: 22.5p) up 22%
- Net debt reduced to £24.8m, 39% reduction year on year

Operational Performance³

- Group continuing underlying NFI of £70.6m, down 1% year-on-year
- UK Engineering continued to perform strongly with NFI up 4% on prior year
- Good growth in our Solutions business, now representing 27% of Group NFI (2018: 22%)
- UK Technology performance remained challenging, with NFI 20% lower than prior year. Restructuring undertaken during the year to accelerate recovery, expected to result in improvement in H2
- Overall positive performance in International NFI with 1% growth
 - Americas down 9%, against a very strong prior year, offset by positive performance in other territories (incl. South Africa, +22%). Return to growth expected in FY20 for Americas
 - Further investment in USA operations; sales offices expanded in Dallas, Atlanta and Houston
- Cost reduction activities in 2018 flowed through to improve 2019 operating profit conversion, up 1.6% pts to 19%
- As previously announced, we continue our cooperation with the US Department of Justice with respect to historical transactions in our discontinued telecommunication infrastructure business

Strategic Update

Improvement Plan launched and changes already underway:

- Clear focus on core growth markets following review of international footprint in H1
- Group reorganisation implemented including:
 - New Head of International
 - New UK Heads of Technology, Sales and Delivery

- Creation of UK new business development function
- Creation of core delivery function, to streamline service delivery and deepen relationships with key clients
- Major technology platform refresh ongoing, including rollout of single, Group-wide IT infrastructure planned in FY20

Outlook

As with other staffing groups, we have noticed softening in our markets in the first quarter of the new financial year. Given the economic and political uncertainty, both in the UK and overseas, we are cautious about how markets will develop during FY20.

Additionally, as we continue to implement our Improvement Plan over the current financial year, and as we further reposition our approach to certain markets, we will continue to be more selective around the quality of business we choose to service and will invest further in our sales resources.

The headwinds around Brexit and IR35 combined with these necessary actions are likely to impact short-term profitability, but we are confident they will position the business for a return to sustainable, long-term growth.

Kevin Freeguard, CEO commented:

“In my first set of full year results with Gattaca, I am pleased to report a positive financial performance for the Group, with underlying PBT and EPS slightly ahead of expectations, and with our net debt significantly down on prior year.

“We remain cautious about the development of our markets in 2020, although we believe that operationally, we have made significant progress with our ongoing Improvement Plan, which is now translating into tangible change in the way we operate and will put the Group firmly on the path for sustainable, long-term growth.”

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

¹ NFI is calculated as revenue less contractor payroll costs

² Continuing underlying results exclude non-underlying items within continuing administrative expenses (2019: £1.4m, 2018 £1.7m), the NFI and (losses) / profits of discontinued operations before taxation (2019: £(7.6)m, 2018 £1.9m), amortisation of acquired intangibles (2019: £1.3m, 2018 £2.7m), impairment of goodwill and acquired intangibles (2019: £5.8m, 2018 £33.3m) and P&L exchange gains from revaluation of monetary foreign assets and liabilities (2019: £0.3m, 2018 £0.1m)

³ NFI commentary is on an underlying like for like constant currency basis

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

CHAIRMAN'S STATEMENT

This year has been a transformational year for the Company, with the appointment of Kevin Freeguard as our new CEO in October of 2018 and the introduction and enactment of our Improvement Plan which will fundamentally change the way we do business. During the period, we have focused the Group on the engineering and technology skill sectors in the UK and the Americas, keeping a presence in China whilst making the decision to withdraw from the Telecoms Infrastructure contract labour market and extract ourselves from a number of international locations. Whilst there was a significant reduction in net fee income (NFI) at a statutory level, it was neutral at profit after tax and we are pleased with the NFI performance from the continuing business.

We have continued to cooperate with the US Department of Justice in respect of activities related to Networkers before our acquisition of the business.

Overview

Having Kevin on board as CEO has brought stability, focus and clarity on what we are trying to achieve at Gattaca. He has brought in new systems to improve sales management and his vast sales experience has also allowed us to address some existing sales issues. The entire Board has been delighted with the impact Kevin has made to date.

In order to focus on our core UK and North American business, we previously announced we would exit the Telco Infrastructure in Asia, Africa and Latin America; working to close down those operations and reduce our working capital has been a key focus for this year. The decision has undoubtedly proved to be the right one, as it has contributed to a significant reduction in net debt, from £40.9m to £24.8m, a result above expectations. I would like to thank COO Keith Lewis and CFO Salar Farzad for their work in delivering this project over the past year.

The Group has launched an Improvement Plan in order to properly exploit the growth opportunities we see in the Americas and, more widely, in the UK in the engineering and technology markets. This Plan is re-energising the business.

Dividend

The Board are not recommending a final dividend given the economic headwinds in the UK, the significant non-underlying costs incurred this year and the continuing investment in our Primary Business Systems.

Board

Following substantial changes in 2018, the new Board line-up has been refocusing this year to deliver on our objectives. As announced last year, Non-Executive Director Mark Mamone stepped down at the 2018 AGM. We recognise that we have a diversity imbalance on the Board and feel it is important that we address this as we move forward.

After 26 years of service, Keith Lewis has decided to stand down from the Board of Directors of Gattaca plc and will leave the Group with immediate effect. As part of the Improvement Plan, the Group does not intend to replace the role of Chief Operating Officer.

People

I would like to extend my thanks to the whole Gattaca team for their efforts again this year. We are a people business, and we are where we are because of our employees' enthusiasm and passion for delivering for their clients and candidates. At Board level, we are conducting reviews to identify where we can interact more with our teams and ensure every individual understands the important role they play in the Group.

Outlook

Looking ahead, we are building a strong platform for sustainable growth over the long term. We have demonstrated that we can grow our engineering business even during difficult periods, and have taken action to address the issues in our technology business. However, we cannot be complacent about external headwinds such as trends in global trade, the potential economic impact caused by the uncertainty of Brexit and the upcoming IR35 regulatory changes in our UK industry.

Patrick Shanley

Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

I am delighted to have been appointed CEO of Gattaca at this key stage of the Group's development. I believe that Gattaca is an excellent business with very talented and experienced employees and I look forward to sharing my thoughts on the Group and our plans for the future with you in my first CEO statement.

From my first year with the business, I can see that Gattaca's long-term success has been built on a number of key strengths:

- Business model – Our business model is focused on effective delivery of key engineering and technology skills to our clients globally with a core focus on the contractor market. We have developed a deep expertise and have created a well-established methodology for identifying talent and giving our many clients confidence in our long term ability to deliver successfully.
- Brand and reputation – Gattaca is a leader in the provision of engineering and technology talent and trusted partner for thousands of clients. Our focus on these clients, many of whom we have been in partnership with for decades, has enabled the Company to grow and develop a leading position in the UK over the past 35 years. I am very proud of our reputation for client and candidate focus, service and execution.
- Client and candidate experience – I have been very impressed by the passion demonstrated by our employees, in delivering to clients and providing the talent that is so critical to their success. This dedication has enabled us to build many long term client and candidate relationships that is at the core of the business.
- Expertise – We are a trusted specialist and dedicated focus on engineering and technology skills and our ability identify those skills globally is critical in providing our clients with the skills they require when they are needed.
- People and culture – During my first few months I have had the pleasure of visiting many of our offices and meeting with hundreds of our employees I've been consistently impressed by their dedication and drive. Our experienced, long-serving staff really are our greatest asset.

Improvement Plan

We are a business with tremendous strengths, and I believe we are well positioned to build on our core capabilities. Since my appointment, I have been working with my executive team to develop a plan to evolve the business to deliver long- term sustainable growth. As we reviewed the business, we have made a number of strategic choices that will underpin how we operate. They are to:

- focus on markets that offer significant, scalable and sustainable profit potential;
- provide best client / candidate experience;
- deliver a full range of tailored solutions;
- focus on engineering and technology skills; and
- operate a scalable business model.

The Improvement Plan, underpinned by our strengths and aligned with our strategic choices, was announced in March of this year and has been well received. To achieve its objectives, we will focus four key areas to enable growth across our business units:

- Segmented target markets – We have aligned around a more targeted market approach and the services we offer will reflect the different priorities of each segment to enable us to deepen our existing client relationships and focus on extending our services to a wider range of new clients.
- Tailored solutions – We will evolve our innovative product range, where appropriate, to ensure it continues to meet client needs, capitalising on our unparalleled ability to identify the best candidates in the global talent market.
- Organisational effectiveness – We will continue to develop the expert capability of our teams, focusing on improving how we sell to the market and leveraging Group support functions such as marketing, finance and HR to better support all of our operations. Underpinning this we are currently implementing a Group-wide technology platform, which is a critical enabler for the business.
- Service delivery – We will enhance our delivery capability to ensure we provide best-in-class client and candidate experiences across the Group.

This is an exciting period for Gattaca as we evolve the business to ensure it continues to deliver sustainable growth in the long term.

The business has committed to a specific set of workstreams to achieve our transformation. The tangible changes to date include:

- We successfully delivered our international restructure programme, withdrawing from operations and markets which were not profitable and were less scalable than other markets. This has resulted in a positive working capital unwind and reduced irrecoverable withholding tax charges.
- We have redesigned the operational leadership structure, separating executive responsibility for UK and International operations and enabling more focus on our growth markets with clear lines of accountability and responsibility.
- A comprehensive market mapping review has enabled us to have a more structured and rigorous approach to the market. This will enable us to support existing client relationships on a more strategic basis and also open up new client opportunities where we have the deepest understanding and most relevant talent pools.

- We have reorganised our operations to form the core of a centralised candidate delivery function, which will enable us to create scale and further deepen our candidate relationships, which will improve the quality of candidate flow and reduce time to hire.
- Finally, during the summer of 2019, we created a dedicated pan-UK business development and sales function to sell across the market verticals identified within the Improvement Plan. This team of experienced sales professionals bring together both staffing and market vertical skills that we are prioritising.

Outlook

Whilst there is demand for key engineering and technology skills generally in the market it is clear that there are increasing levels of economic uncertainty primarily caused by Brexit, legislative changes within the UK market (IR35) and the global impact of ongoing changes in the macro-economic environment. We therefore remain cautious about the development of our markets in 2020, although we believe that we are well positioned to grow in the long term.

Kevin Freeguard

Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

Financial performance

On a continuing basis, revenue of £635.8m (2018: £631.3m) generated NFI of £70.6m (2018: 71.4m). We achieved contract NFI of £49.3m (2018: £51.0m) at a margin of 8.0% (2018: 8.4%), and permanent recruitment fees were £21.3m (2018: £20.4m). The change in contractor margins was driven by a higher mix of Gattaca Solutions business, which now represents 27% of Group continuing NFI (2018: 22%). This ongoing trend within our product mix is positive as Gattaca Solutions business provides greater visibility over our medium-term pipeline and whilst margins tend to be lower, these deals allow us to increase aggregate NFI and enable us to service clients more efficiently.

Gross margins were 11.1% (2018: 11.3%) driven by the change in contractor margins, partly offset by the increase in permanent NFI mix.

Whilst our UK Engineering business grew by 4% at a gross profit level, our UK Technology business was 20% lower. Some of this was a result of repositioning the business towards more sustainable and profitable business but there were also performance factors. Our new Head of Technology has now been on board for three months and is addressing this.

Profit from continuing operations of £4.8m (2018: £(25.3)m loss) reflects a non-cash charge of £7.1m in respect of amortisation and impairment of acquired intangibles (2018: £36.0m) following further refinement of our projections related to the Networkers business acquired in 2015.

Statutory loss after tax was £(5.9)m (2018: £(27.1)m loss).

Underlying results

Underlying results are shown beneath the Income Statement. Underlying continuing profit before taxation at £11.4m (2018: £10.9m) was £0.5m higher than last year, the reduction in NFI having been more than compensated by lower costs.

Underlying continuing operating profit of £13.4m (2018: £12.4m) represented a conversion ratio of 19.0% (2018: 17.4%) of continuing NFI. In years past, the Group was industry leading in this area and a key medium- and long-term objective is to improve our conversion ratio.

Discontinued operations and non-underlying costs

The significant actions taken in 2019 included certain non-underlying costs:

| £'000 | Profit/(Loss) Before Tax |
|---|-----------------------------|
| Underlying continuing | 11,360 |
| Bromley office closure integration costs | (1,441) |
| Bromley onerous lease provision | (1,102) |
| Liquidation, legal, advisory fees and other fees and working capital impairments related to discontinued businesses | (1,205) |
| Advisory fees primarily related to US DoJ cooperation | (3,424) |
| Other losses from discontinued operations | (1,828) |
| Amortisation and impairment of goodwill and acquired intangibles | (7,146) |
| Foreign exchange differences | 302 |
| Reported | (4,484) |

The closure of our operations in the United Arab Emirates, Qatar, Malaysia and Singapore and withdrawal from the Telecoms Infrastructure contractor markets in Africa, Asia and Latin America is now operationally complete (with some further non-underlying costs to be accounted for in 2020) as well as the closure of our Bromley office. This has enabled us to reduce more costs than the future expected NFI foregone, at the same time simplifying our business and de-gearing our operational P&L. This in turn enables us to

focus our resources on building our North America operations and to reorganise our UK activities to better capitalise on the very substantial growth opportunities that still exist within our chosen niches of technology and engineering skills.

Taxation

One of our key objectives arising from the changes undertaken in late 2018 and 2019 was to eliminate a substantial portion of our non-recoverable withholding tax, which we have achieved. Although a tax charge, for us, this was an activity driven rather than a profit-based cost. Total irrecoverable withholding tax has reduced steadily to £0.8m in 2019 (2018: £1.4m, 2017: £2.0m). Of the total irrecoverable withholding tax charge of £0.8m in 2019, only £0.1m relates to continuing business, with the remaining £0.7m not expected to recur going forward.

The Group's continuing underlying effective tax rate was 22.0% (2018: 31.1%) driven by the simplification of the business. The reported effective tax rate of 31.6% is driven by the impact of closed operations and of non-underlying costs.

Earnings Per Share

Basic earnings per share was negative 18.3 pence (2018: negative 85.3 pence), and on a fully diluted basis was negative 17.8 pence (2018: negative 85.3 pence). Continuing underlying basic earnings per share grew by 22.2% to 27.5 pence (2018: 22.5 pence).

Dividends

Given the economic headwinds particularly in the UK, and the significant non-underlying costs in 2019, the Board is not recommending a final dividend. Our continued policy 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 Board will review any dividend in respect of 2020.

Tangible and intangible assets

Capital expenditure in the year including tangible assets and software, was £3.5m (2018: £2.8m) of which £2.9m related to software and software licenses representing our investment on the Primary Business Systems project and £0.6m expenditure on plant and equipment additional dilapidation provisions, leasehold improvements and computer equipment. The PBS investment replaces legacy systems which are over 25 years old and will provide long term benefits and we shall be amortising this investment over ten years.

Net assets and shares in issue

At 31 July 2019 the Group had net assets of £41.9m (2018: £47.0m) and had 32.3m (2018: 32.3m) fully paid ordinary shares in issue. The change in net assets is principally driven by the impairment of goodwill and intangibles related to the Networkers acquisition.

Cash flow and net debt

Net debt at 31 July 2019 was £24.8m (2018: £40.9m), consisting a working capital facility of £29.1m (2018: £35.9m), bank term loan of £15.0m (2018: £15.0m), less cash of £19.2m (2018: £9.8m) and capitalised finance costs of £0.1m (2018: £0.2m).

This has been and continues to be a key focus for us and we are pleased with this reduction, notwithstanding that this year end fell on a Wednesday which is the best day of the week for us in terms of our intraweek cash flow cycle. The difference between the peak and trough of this intraweek cycle can be in the order of £8m.

Cash generated from operations at £24.1m (2018: £17.9m) was £6.2m higher than prior year. In addition to a £4.7m benefit from the unwinding of working capital in our discontinued operations, which was another key objective, our continuing business working capital improved by £13.6m with DSO (days sales outstanding, based on a three-month average and including sales taxes) of 45 (2018: 52) being seven better than prior year and representing another year-on-year improvement.

Other key drivers of cash flow are summarised in the table below:

| | £'m |
|---|--------|
| Net debt at 31 July 2018 | (40.9) |
| Continuing underlying EBITDA (exc non cash items) | 14.7 |
| Working capital (continuing) | 13.6 |
| Continuing non underlying admin costs | (1.4) |
| Non underlying EBIT | (7.6) |

| | |
|---|---------------|
| Discontinued debtor balances | 7.0 |
| Other discontinued working capital unwind | (2.3) |
| Capital expenditure | (3.5) |
| Tax paid | (2.5) |
| Interest paid | (1.9) |
| Net debt at 31 July 2019 | (24.8) |

Co-operation with the US Department of Justice (“DoJ”)

We continue our cooperation with the DoJ and in the 2019 financial year have incurred £3.4m in advisory fees on this matter. As noted in Note 29 the Group is not currently in a position to know what the outcome of these enquires may be and therefore we are unable to make any quantification of potential financial impact.

Banking facilities and interest rate risk

In September 2019 we conducted a tender for our financing facilities with strong interest from a number of mainstream commercial banks. We are pleased to have negotiated new facilities with HSBC with whom we have a long-standing relationship. As of October 2019 the Group has facilities of £90m, consisting of a £75m working capital financing facility and a £15m bank term loan. These arrangements are due to expire in October 2022 and the committed bank loan reduces to a £7.5m facility by 31 July 2020 and a £5m facility by 31 October 2020.

These facilities include three covenants: Interest Cover; Adjusted Leverage and RCF (revolving credit facility) Leverage 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. One of our medium-term treasury goals is to eliminate our RCF and to rely principally on our working capital financing facility for our funding requirements.

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

The Board continues to follow Brexit developments and will follow the ultimate detailed trade negotiations. The economic effect of these developments 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 on page 38.

IR35

The IR35 rules which were brought to the public sector in 2017 are due to be implemented in the private sector in April 2020. As with all significant employment tax changes, there is likely to be some disruption and we have been working closely with clients and contractors to prepare for these changes, as well as making resources available to the public through our IR35 web based hub available at www.gattacaplc.com/our-solutions/IR35-hub.

Engineering and technology projects will continue to require resource and as a leading provider of those skills, we will continue to offer valuable and compliant services to our clients through our contingent and Gattaca Solutions offerings.

Supporting the business

We continue to make strong progress in the professionalisation of the support functions.

We are close to going live with our Primary Business Systems project which is an end to end integrated system including applicant tracking, vendor management, contractor onboarding, timesheet management, payments, billing and collections. This system will significantly enhance our operational effectiveness, and the ability to drive our business and to gain valuable insights.

The large legacy Networkers finance team which was in our Bromley office is now disbanded and their function is fully integrated in our Whiteley headquarters, led by a new Group Controller who is making significant improvements in processes and capability. Our financial planning and analysis team is now also fully embedded providing business and commercial support to our frontline staff. Together these teams have been instrumental in allowing us to gain full visibility to the underlying economics of our different business lines and they also enabled us to execute the many changes to the business in a controlled and risk-managed manner.

Our new General Counsel appointed during 2018 has upgraded her team to create a dedicated compliance function and reorganised the team to provide commercial advice and negotiation support to the business as well as increasing the utilisation of our centralised contractor onboarding function.

Critical accounting policies

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

IFRS 16

Note 1 sets out our assessment of the impact of implementing IFRS16 from 1 August 2019 onwards. If our 2019 accounts were prepared on the basis of IFRS 16, whilst our net profits would not be expected to be impacted materially, we would expect our EBITDA to increase by £2.3m and interest costs to increase by £0.2m as operating lease expenses are replaced by depreciation and interest expenses.

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 and as a result 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% (2018: 4%) of total receivables balances at 31 July 2019.

During the year we increased our provision for doubtful debts by £0.6m primarily in relation to our discontinued operations.

Foreign currency risk

The Group generates 14% of its annualised NFI from continuing business in international markets. 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.

Salar Farzad
Chief Financial Officer

Consolidated Income Statement

For the year ended 31 July 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---|------|---------------|---------------|
| Continuing Operations | | | |
| Revenue | 2 | 635,814 | 631,329 |
| Cost of sales | | (565,227) | (559,930) |
| Gross profit | 2 | 70,587 | 71,399 |
| Administrative expenses | | (65,781) | (96,684) |
| Profit/(loss) from continuing operations | 4 | 4,806 | (25,285) |
| Finance income | 6 | 365 | 198 |
| Finance cost | 7 | (2,096) | (1,652) |
| Profit/(loss) before taxation | | 3,075 | (26,739) |
| Taxation | 10 | (1,485) | (375) |
| Profit/(loss) for the year after taxation from continuing operations | | 1,590 | (27,114) |
| Discontinued Operations | | | |
| (Loss)/profit for the year from discontinued operations (attributable to equity holders of the company) | 11 | (7,491) | 38 |
| (Loss) for the year | | (5,901) | (27,076) |
| Attributable to: | | | |
| Equity holders of the parent | | (5,901) | (27,351) |
| Non-controlling interests | | – | 275 |
| | | (5,901) | (27,076) |

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent Company Income Statement.

| | | 2019 £'000 | 2018 £'000 |
|--|---|---------------|---------------|
| Profit/(Loss) from Continuing Operations | | 4,806 | (25,285) |
| Add | | | |
| Depreciation of property, plant and equipment and amortisation of software and software licences | 2 | 1,207 | 993 |
| Non-underlying items included within administrative expenses | 2 | 1,441 | 1,676 |
| Amortisation and impairment of goodwill and acquired intangibles | 2 | 7,146 | 36,011 |
| Underlying EBITDA | | 14,600 | 13,395 |
| Less | | | |
| Depreciation of property, plant and equipment and amortisation of software and software licences | | (1,207) | (993) |
| Net finance costs excluding foreign exchange differences | | (2,033) | (1,540) |
| Underlying profit before taxation | | 11,360 | 10,862 |
| Underlying taxation | | (2,501) | (3,380) |
| Underlying profit after taxation from continuing operations | | 8,859 | 7,482 |

| | Note | 2019 pence | 2018 pence |
|------------------------------------|------|---------------|---------------|
| Earnings per ordinary share | | | |
| Basic earnings per share | 12 | (18.3) | (85.3) |
| Diluted earnings per share | 12 | (17.8) | (85.3) |

| | | 2019 pence | 2018 pence |
|--|----|---------------|---------------|
| Earnings Per Ordinary Share From Underlying Continuing Operations | | | |
| Basic earnings per share from underlying continuing operations | 12 | 27.5 | 22.5 |
| Diluted earnings per share from underlying continuing operations | 12 | 26.7 | 22.5 |

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2019

| | 2019 £'000 | 2018 £'000 |
|---|----------------|-----------------|
| Loss for the year | (5,901) | (27,076) |
| Other comprehensive income/(loss) | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | 645 | (734) |
| Other comprehensive income/(loss) for the year | 645 | (734) |
| Total comprehensive loss for the year attributable to equity holders of the parent | (5,256) | (27,810) |
| Attributable to: | | |
| Continuing operations | 1,702 | (27,784) |
| Discontinued operations | (6,958) | (26) |
| | (5,256) | (27,810) |
| Attributable to: | | |
| Equity holders of the parent | (5,256) | (28,085) |
| Non-controlling interests | – | 275 |
| | (5,256) | (27,810) |

Consolidated and Company Statements of Changes in Equity

For the year ended 31 July 2019

A) Consolidated

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Share based payment reserve £'000 | Translation reserve £'000 | Treasury shares reserve £'000 | Retained earnings £'000 | Non-controlling interests £'000 | Total £'000 |
|---|------------------------|------------------------|-------------------------|--------------------------------------|------------------------------|----------------------------------|----------------------------|------------------------------------|----------------|
| 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)/income | – | – | – | – | (734) | – | (27,351) | 275 | (27,810) |
| Dividends paid in the year (note 8) | – | – | – | – | – | – | (6,441) | – | (6,441) |
| Deferred tax movement in respect of share options | – | – | – | – | – | – | (211) | – | (211) |
| Acquisition of non-controlling interest | – | – | – | – | – | – | – | (3,552) | (3,552) |
| Non-controlling interest transfer | – | – | – | – | – | – | (1,055) | 1,055 | – |
| Share-based payments charge (note 23) | – | – | – | 324 | – | – | – | – | 324 |
| Share-based payments 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 |
| At 1 August 2018 | 323 | 8,706 | 28,750 | 1,074 | 299 | – | 7,867 | – | 47,019 |
| Loss for the year | – | – | – | – | – | – | (5,901) | – | (5,901) |
| Other comprehensive income | – | – | – | – | 645 | – | – | – | 645 |
| Total comprehensive income/(loss) | – | – | – | – | 645 | – | (5,901) | – | (5,256) |
| Dividends paid in the year (note 8) | – | – | – | – | – | – | – | – | – |
| Deferred tax movement in respect of share options | – | – | – | – | – | – | 15 | – | 15 |
| Share-based payments charge (note 23) | – | – | – | 269 | – | – | – | – | 269 |
| Share-based payments reserves transfer | – | – | – | (590) | – | – | 590 | – | – |
| Purchase of treasury shares | – | – | – | – | – | (140) | – | – | (140) |
| Transactions with owners | – | – | – | (321) | – | (140) | 605 | – | 144 |
| At 31 July 2019 | 323 | 8,706 | 28,750 | 753 | 944 | (140) | 2,571 | – | 41,907 |

B) Company

| | Share capital £'000 | Share premium £'000 | Merger Reserve £'000 | Share based payment reserve £'000 | Treasury shares reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|------------------------|------------------------|-------------------------|--------------------------------------|----------------------------------|----------------------------|----------------|
| At 1 August 2017 | 318 | 8,704 | 28,526 | 1,415 | – | 3,137 | 42,100 |
| Profit and total comprehensive income for the year (note 9) | – | – | – | – | – | 4,670 | 4,670 |
| Dividends paid in the year (note 8) | – | – | – | – | – | (6,441) | (6,441) |
| Share-based payments charge (note 23) | – | – | – | 324 | – | – | 324 |
| Share-based payments 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 |
| At 1 August 2018 | 323 | 8,706 | 28,526 | 1,074 | – | 2,031 | 40,660 |
| Loss and total comprehensive loss for the year (note 9) | – | – | – | – | – | (231) | (231) |
| Dividends paid in the year (note 8) | – | – | – | – | – | – | – |
| Share-based payments charge (note 23) | – | – | – | 269 | – | – | 269 |
| Share-based payments reserves transfer | – | – | – | (590) | – | 590 | – |
| Purchase of treasury shares | – | – | – | – | – | – | – |
| Shares issued | – | – | – | – | – | – | – |
| Transactions with owners | – | – | – | (321) | – | 590 | 269 |
| At 31 July 2019 | 323 | 8,706 | 28,526 | 753 | – | 2,390 | 40,698 |

Consolidated and Company Statements of Financial Position

As at 31 July 2019

| | Note | Group | | Company | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Non-current assets | | | | | |
| Goodwill and intangible assets | 13 | 11,751 | 16,349 | – | – |
| Property, plant and equipment | 14 | 3,292 | 3,620 | – | – |
| Investments | 15 | – | – | 8,580 | 8,311 |
| Deferred tax assets | 16 | – | 135 | – | – |
| Total non-current assets | | 15,043 | 20,104 | 8,580 | 8,311 |
| Current assets | | | | | |
| Trade and other receivables | 17 | 96,728 | 112,912 | 101,158 | 94,927 |
| Cash and cash equivalents | | 19,173 | 9,758 | – | – |
| Total current assets | | 115,901 | 122,670 | 101,158 | 94,927 |
| Total assets | | 130,944 | 142,774 | 109,738 | 103,238 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | 16 | (396) | (1,636) | – | – |
| Provisions | 18 | (2,349) | (1,390) | – | – |
| Bank loans and borrowings | 20 | (14,957) | (14,931) | (14,957) | (14,931) |
| Total non-current liabilities | | (17,702) | (17,957) | (14,957) | (14,931) |
| Current liabilities | | | | | |
| Trade and other payables | 19 | (40,676) | (40,850) | (54,083) | (47,647) |
| Provisions | 18 | (332) | – | – | – |
| Current tax liabilities | | (1,289) | (1,247) | – | – |
| Bank loans and borrowings | 20 | (29,038) | (35,701) | – | – |
| Total current liabilities | | (71,335) | (77,798) | (54,083) | (47,647) |
| Total liabilities | | (89,037) | (95,755) | (69,040) | (62,578) |
| Net assets | | 41,907 | 47,019 | 40,698 | 40,660 |
| Equity | | | | | |
| Share capital | 23 | 323 | 323 | 323 | 323 |
| Share premium | | 8,706 | 8,706 | 8,706 | 8,706 |
| Merger reserve | | 28,750 | 28,750 | 28,526 | 28,526 |
| Share-based payment reserve | | 753 | 1,074 | 753 | 1,074 |
| Translation reserve | | 944 | 299 | – | – |
| Treasury shares reserve | | (140) | – | – | – |
| Retained earnings | | 2,571 | 7,867 | 2,390 | 2,031 |
| Total equity attributable to equity holders of the parent | | 41,907 | 47,019 | 40,698 | 40,660 |
| Non-controlling interest | | – | – | – | – |
| Total equity | | 41,907 | 47,019 | 40,698 | 40,660 |

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 loss of £231,000 (2018 profit: £4,670,000) for the year is shown in note 9 of these Financial Statements.

The accompanying notes on pages 92 to 131 form part of these Financial Statements.

The Financial Statements on pages 86 to 131 were approved by the Board of Directors on 5 November 2019 and signed on its behalf by

Salar Farzad
Chief Financial Officer

Consolidated and Company Cash Flow Statements

For the year ended 31 July 2019

| | Group | | Company | |
|--|----------------|----------------|---------------|-----------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Cash flows from operating activities | | | | |
| (Loss)/profit after taxation | (5,901) | (27,076) | (231) | 4,670 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 2,483 | 3,718 | – | – |
| Profit on disposal of subsidiary | (135) | – | – | – |
| Loss/(profit) on disposal of property, plant and equipment | 67 | (14) | – | – |
| Impairment of goodwill and acquired intangibles | 5,882 | 33,320 | – | – |
| Interest income | (437) | (198) | – | – |
| Interest costs | 2,096 | 1,652 | 637 | – |
| Taxation expense recognised in Income Statement | 1,417 | 2,217 | (281) | – |
| Decrease/(increase) in trade and other receivables | 17,225 | 2,326 | (5,950) | (8,069) |
| (Decrease)/increase in trade and other payables | (174) | 1,860 | 6,436 | 15,547 |
| Increase/(decrease) in provisions | 1,291 | (206) | – | – |
| Share-based payment charge | 269 | 324 | – | – |
| Investment income | – | – | (968) | (5,474) |
| Cash generated from/(used in) operations | 24,083 | 17,923 | (357) | 6,674 |
| Interest paid | (1,993) | (1,537) | (611) | – |
| Interest received | 86 | 112 | – | – |
| Income taxes paid | (2,523) | (3,648) | – | – |
| Cash from/(used in) operating activities | 19,653 | 12,850 | (968) | 6,674 |
| Cash flows from investing activities | | | | |
| Purchase of plant and equipment | (673) | (1,853) | – | – |
| Purchase of intangible assets | (2,876) | (899) | – | – |
| Acquisition of non-controlling interest | – | (3,552) | – | – |
| Proceeds from sale of subsidiary | 2 | – | – | – |
| Proceeds from sale of property, plant and equipment | 26 | 67 | – | – |
| Dividend received | – | – | 968 | 5,474 |
| Cash (used in)/generated from investing activities | (3,521) | (6,237) | 968 | 5,474 |
| Cash flows from financing activities | | | | |
| Proceeds from issue of share capital | – | 7 | – | 7 |
| Purchase of treasury shares | (140) | – | – | – |
| Working capital facility (repaid)/utilised | (6,740) | 10,166 | – | – |
| Finance costs paid | – | (25) | – | – |
| Repayment of term loan | – | (5,714) | – | (5,714) |
| Dividends paid | – | (6,441) | – | (6,441) |
| Cash (used in) financing activities | (6,880) | (2,007) | – | (12,148) |
| Effects of exchange rates on cash and cash equivalents | 163 | (650) | – | – |
| Increase in cash and cash equivalents | 9,415 | 3,956 | – | – |
| Cash and cash equivalents at beginning of year | 9,758 | 5,802 | – | – |
| Cash and cash equivalents at end of year | 19,173 | 9,758 | – | – |
| Net (decrease)/increase in cash and cash equivalents for discontinued operations | (2,743) | 101 | – | – |

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, UK. The Company's registered address is 1450 Parkway, Solent Business Park Whiteley, Fareham, Hampshire, PO15 7AF. The Company's registration number is 04426322.

ii Basis of preparation of the Financial Statements

The Financial Statements of Gattaca plc have been prepared in accordance with IFRS and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU-IFRS) 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 EU-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 xxiii.

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

IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' have been adopted by the Group from 1 August 2018. Further details of the changes have been included in the relevant accounting policies.

New standards in issue, not yet effective

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.

Adoption of IFRS 16 is expected to result in changes to the Group's consolidated Financial Statements. Under IFRS 16, certain lease commitments will be accounted for 'on-balance sheet', with recognition of a lease liability and corresponding right-of-use asset. 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.

IFRS 16 is expected to result in an increase in EBITDA and operating profit for the Group, as rentals are reclassified as depreciation and interest expense, but with a small decrease in profit before taxation. Gross profit may also appear higher as a result. IFRS 16 also requires more extensive disclosures than under IAS 17. Note 22 summarises the current lease portfolio. 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 using the modified retrospective approach, meaning that comparatives will not be restated.

The Group has reviewed its portfolio of leases as at 31 July 2019 has not identified any new leases. Advantage has been taken of the practical expedients for exemptions provided for leases with less than 12 months to run, for leases of low value, to account for leases with similar characteristics as a portfolio with a single discount rate and to present existing onerous lease provisions against the carrying value of right of use assets.

The main difference between the IFRS 16 liability shown below and the value of the total operating lease commitment shown in Note 22 is that the figure below has had discount rates applied for future years payments which has decreased the value of the liability. Low value leases have been removed. The following table shows the expected transition adjustment to the balance sheet at 1 August 2019.

| At 31 July 2019 | As Reported £'000 | IFRS 16 £'000 | Reclassification of existing onerous lease £'000 | Pro-forma £'000 |
|-------------------------------|----------------------|------------------|---|--------------------|
| Total non-current assets | 15,043 | 10,678 | (934) | 24,787 |
| Total current assets | 115,901 | - | - | 115,901 |
| Total current liabilities | (71,335) | (2,093) | - | (73,428) |
| Total non-current liabilities | (17,702) | (8,585) | 934 | (25,353) |
| Net Assets | 41,907 | - | - | 41,907 |

Forthcoming requirements

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

| Standard | | Effective date (annual periods beginning on or after) |
|--|--------------------------------------|---|
| IAS 1 Amendments | Presentation of Financial Statements | 1 January 2020 |
| IAS 8 Amendments | Accounting Policies | 1 January 2020 |
| IFRS 3 Amendments | Business Combination | 1 January 2020 |
| Revised Conceptual Framework for Financial Reporting | | 1 January 2020 |

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but which are only effective for the Group accounting periods beginning on or after 1 August 2019. These new pronouncements are listed as follows:

| Standard | | Effective date (annual periods beginning on or after) |
|---|--|---|
| IFRS 9 Amendments | Financial Instruments | 1 January 2019 |
| IFRS 16 | Leases | 1 January 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Annual Improvements to IFRS Standards 2015–2017 Cycle | | 1 January 2019 |

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

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.

vi Revenue

IFRS 15 'Revenue from contracts with customers' has been adopted by the Group from 1 August 2018 for the Group. The new standard 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.

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

Temporary placements

Revenue from temporary, or contract, placements is recognised at the point in time when the candidate provides services, upon receipt of a client-approved timesheet or equivalent proof of time worked. Timing differences between the receipt of a client-approved timesheet and the raising of an invoice are recognised as accrued income. The Group has assessed its use of third party providers to supply candidates for temporary placements under the agent or principal criteria and has determined that it is the principal on the grounds that it retains primary responsibility for provision of the services. Under IFRS 15, the timing and amount of revenue recognition is unchanged, with no impact on retained earnings at 1 August 2018.

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

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

Permanent placements

Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment which is the point at which the performance obligation of the contract is considered met. Some permanent placements are subject to a 'claw-back' period whereby if a candidate leaves within a set period of starting employment, the customer is entitled to a rebate subject to the Group's terms and conditions. Provisions as a reduction to revenue are recognised for such arrangements if material. Based on historical data, such rebates are infrequent and immaterial. Under IFRS 15, the timing and amount of revenue recognition is unchanged, with a no impact on retained earnings at 1 August 2018.

Other

Other revenue streams are generated from provision of engineering services and other fees. Revenue from the provision of engineering services is recognised either over a period of time when the performance obligations are satisfied over the course of project milestones or at a point in time upon receipt of client-approved timesheets. Other fees mainly relate to account management fees for providing recruitment services. Revenue from other fees is recognised on confirmation from the client committing to the agreement and either at a point in time or over time in accordance with terms of each individual agreement as performance obligations are met. Under IFRS 15, the timing and amount of revenue recognition is unchanged, with a no impact on retained earnings at 1 August 2018.

vii 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 could include:

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

viii Property, plant and equipment

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

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

| | | |
|----------------------------------|-----------------------------------|------------------|
| Motor vehicles | 25.0% | Reducing balance |
| Fixtures, fittings and equipment | 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 year.

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.

ix Goodwill

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is allocated to cash-generating units, being the lowest level at which goodwill is monitored. The carrying value of the assets of the cash-generating unit, including goodwill, intangible and tangible assets and working capital balances, is compared to its recoverable amount, which is the higher of value in use and fair value less costs to sell. Any excess in carrying value over recoverable amount is recognised immediately as an impairment expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

x Intangible assets

Customer relationships

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

Trade names and trademarks

Trade names and trademarks have either arisen on the consolidation of acquired businesses or have been separately purchased and are recognised at fair value at the acquisition date. They are subsequently measured at cost less accumulated amortisation and impairment. Trade names and trademarks are determined to have a useful life of 10 years and are amortised on a straight-line basis.

Software and software licences

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

Internally generated intangible assets

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

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

Other

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

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

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

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 profit or loss at the time of disposal.

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

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

xv Share-based payments

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

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

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

The Group operates two long term incentive share option plans. The Zero Priced Share Option Bonus covers all share options issued with an exercise price of £0.01; the Long Term Incentive Plan Options have an exercise price above £0.01. Grants under both categories have been made as part of a CSOP scheme, depending on the terms of specific grants.

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

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 instruments

IFRS 9 'Financial instruments' was adopted by the Group from 1 August 2018. The new standard sets out requirements for recognising and measuring financial assets and financial liabilities. The Group has adopted this new standard retrospectively, taking advantage of the exemption to not restate comparative information with respect to classification and measurement changes.

Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model under 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).

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets: debt instruments

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

- (i) *those to be measured subsequently at fair value through other comprehensive income (OCI)*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the income statement.
- (ii) *those to be measured subsequently at FVTPL*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the year in which it arises.
- (iii) *Those to be measured subsequently at amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

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

Financial assets: equity instruments

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

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

Impairment of financial assets

IFRS 9 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.

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

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

- Trade receivables: the Group has chosen to take advantage of the practical expedient in IFRS 9 when assessing default rates over its portfolio of trade receivables, to estimate the ECL based on historical default rates specific to groups of customers by industry and geography that carry similar credit risks. Separate ECL's have been modelled for UK construction customers, rest of UK customers, and customers in the Americas, Europe, Asia and Africa. The ECL provision of trade receivables at 1 August 2018 under IFRS 9 was not materially different to the IAS 39 provision for irrecoverable trade receivables held at 31 July 2018 and therefore there was no impact on retained earnings at 1 August 2018.
- Accrued income is in respect of temporary placements where a client-approved timesheet has been received or permanent placements where a candidate has commenced employment, but no invoice has been raised. Default rates have been determined by reference to historical data.
- Cash and cash equivalents are held with established financial institutions. The Group has determined that based on the external credit ratings of counterparties, this financial asset has a very low credit risk and that the estimated expected credit loss provision is not material.

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

Financial liabilities

IFRS 9 largely retains the existing requirements for classification of financial liabilities from IAS 39. The Group's adoption of IFRS 9 did not trigger any changes to classification and measurement of financial liabilities at 1 August 2018.

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

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

xviii Cash and cash equivalents

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

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

xix Provisions

Provisions are recognised where the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are recognised in respect of asset retirement obligations for leased properties at the start of the lease, with a corresponding tangible asset recognised which is subsequently depreciated to profit or loss over the lease term. Where onerous contract arrangements are identified, such as ongoing leases for properties that are no longer in use, provisions are recognised for the costs expected to fulfil the Group's future obligations under the contract. Provisions are not recognised for future operating losses.

xx 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.

xxi Foreign currencies

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

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

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

The assets and liabilities in the Financial Statements of foreign subsidiaries are translated at the rate of exchange ruling at the Statement of Financial Position date.

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 OCI. On divestment, these exchange differences are reclassified from the translation reserve to the Income Statement.

xxii Equity

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares.
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- 'Merger reserve' represents the equity balance arising on the merger of Matchtech Engineering and Matchmaker Personnel and to record the excess fair value above the nominal value of the share consideration on the acquisition of Networkers International plc.
- 'Share-based payment reserve' represents equity-settled share-based employee remuneration until such share options are exercised or lapse.
- 'Translation reserve' represents the foreign currency differences arising on translating foreign operations into the presentational currency of the Group.
- 'Treasury shares reserve' represents Company shares purchased directly by the Group to satisfy obligations under employee share plan.
- 'Retained earnings' represents retained profits.

xxiii Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date that carry a risk of causing a material adjustment within the next 12 months are discussed below:

ECL provisions in respect of trade receivables

The Group's policy for default risk over receivables is based on the on-going evaluation of the credit risk of its trade receivables. Estimation is used in assessing the ultimate realisation of these receivables, including reviewing the potential likelihood of default, the past collection history of each customer and the current economic conditions. As a result, ECL provisions for impairment of trade receivables have been recognised, as discussed in Note 17.

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 13.

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.

| 2019 All amounts in £'000 | UK Engineering | UK Technology | International | Continuing underlying operations | Non-underlying items and amortisation and impairment of acquired intangibles | Discontinued Operations | Group Total |
|--|-------------------|---------------|---------------|--|---|----------------------------|----------------|
| Revenue | 475,903 | 136,084 | 23,827 | 635,814 | - | 11,371 | 647,185 |
| Gross profit | 49,442 | 11,575 | 9,570 | 70,587 | - | 1,511 | 72,098 |
| Operating contribution | 27,489 | 5,902 | 1,820 | 35,211 | - | (511) | 34,700 |
| Depreciation, impairment and amortisation | (904) | (258) | (45) | (1,207) | (7,146) | (12) | (8,365) |
| Central overheads | (14,759) | (3,835) | (2,017) | (20,611) | (1,441) | (7,108) | (29,160) |
| Profit/(loss) from operations | 11,826 | 1,809 | (242) | 13,393 | (8,587) | (7,631) | (2,825) |
| Finance (cost)/income, net | | | | (2,033) | 302 | 72 | (1,659) |
| Profit/(loss) before taxation | | | | 11,360 | (8,285) | (7,559) | (4,484) |

| 2018 All amounts in £'000 | UK Engineering | UK Technology | International | Continuing underlying operations | Non-underlying items and amortisation and impairment of acquired intangibles | Discontinued Operations | Group Total |
|--|-------------------|---------------|---------------|--|---|----------------------------|----------------|
| Revenue | 451,738 | 146,843 | 32,748 | 631,329 | - | 36,215 | 667,544 |
| Gross profit | 47,567 | 14,458 | 9,374 | 71,399 | - | 7,464 | 78,863 |
| Operating contribution | 26,033 | 6,610 | 2,723 | 35,366 | - | 5,174 | 40,540 |
| Depreciation, impairment and amortisation | (694) | (247) | (52) | (993) | (36,011) | (34) | (37,038) |
| Central overheads | (14,478) | (4,865) | (2,628) | (21,971) | (1,676) | (3,260) | (26,907) |
| Profit/(loss) from operations | 10,861 | 1,498 | 43 | 12,402 | (37,687) | 1,880 | (23,405) |
| Finance (cost)/income, net | | | | (1,540) | 86 | - | (1,454) |
| Profit/(loss) before taxation | | | | 10,862 | (37,601) | 1,880 | (24,859) |

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

| All amounts in £'000 | Total Group Revenue | | Non-current Assets | |
|------------------------|---------------------|----------------|--------------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| UK | 613,055 | 608,540 | 14,844 | 19,794 |
| Rest of Europe | 4,313 | 2,824 | 1 | 2 |
| Middle East and Africa | 5,658 | 14,588 | 13 | 63 |
| Americas | 21,966 | 25,280 | 172 | 139 |
| Asia Pacific | 2,193 | 16,312 | 13 | 106 |
| Total | 647,185 | 667,544 | 15,043 | 20,104 |

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

3 Revenue From Contracts With Customers

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

Major service lines-continuing underlying operations

| | UK Engineering | | UK Technology | | International | | Total | |
|----------------------|----------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Temporary placements | 463,840 | 442,823 | 133,491 | 142,951 | 17,026 | 25,162 | 614,357 | 610,936 |
| Permanent placements | 11,887 | 8,878 | 2,593 | 3,892 | 6,790 | 7,586 | 21,270 | 20,356 |
| Other | 176 | 37 | - | - | 11 | - | 187 | 37 |
| Total | 475,903 | 451,738 | 136,084 | 146,843 | 23,827 | 32,748 | 635,814 | 631,329 |

Timing of revenue recognition – continuing underlying operations

| | UK Engineering | | UK Technology | | International | | Total | |
|---------------|----------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Point in time | 475,903 | 451,738 | 136,084 | 146,843 | 23,827 | 32,748 | 635,814 | 631,329 |
| Total | 475,903 | 451,738 | 136,084 | 146,843 | 23,827 | 32,748 | 635,814 | 631,329 |

No single customer contributed more than 10% of the Group's revenues (2018: none).

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

| | 31 July 2019 £'000 | 31 July 2018 £'000 | 31 July 2017 £'000 |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| Trade receivables (note 17) | 71,704 | 81,773 | 82,296 |
| Accrued income (note 17) | 22,837 | 27,947 | 28,681 |

Accrued income relates to the Group's right to consideration for temporary and permanent placements made but not billed by the year end. These transfer to trade receivables once billing occurs. All accrued income at a given reporting date is billed within the following financial year.

Accrued income at 31 July 2019 has decreased since the prior year primarily as a result of the Group's withdrawal from the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well its operations in the United Arab Emirates, Singapore, Malaysia and Qatar during the year.

4 Profit/(Loss) From Operations

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Profit/(loss) from total operations is stated after charging/(crediting): | | |
| Depreciation (Note 14) | 891 | 686 |
| Amortisation of acquired intangibles (Note 13) | 1,264 | 2,691 |
| Amortisation of software & software licences (Note 13) | 328 | 341 |
| Impairment of goodwill and acquired intangibles (Note 13) | 5,882 | 33,320 |
| Loss/(profit) on disposal of property, plant and equipment | 67 | (14) |
| Operating lease costs: | | |
| – Plant and machinery | 316 | 369 |
| – Land and buildings | 2,033 | 2,319 |

| | | |
|--|-------|------|
| Share-based payment charge | 269 | 324 |
| Net (gains) on foreign currency translation (Note 6) | (302) | (86) |

The aggregate auditors' remuneration was as follows:

| | 2019 £'000 | 2018 £'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 | 247 | 255 |
| Total auditors' remuneration | 257 | 265 |
| Non audit services: | | |
| – Taxation | – | – |
| – Other services pursuant to legislation | – | – |
| Total non audit services | – | – |

Non-underlying items were as follows:

| Continuing Operations | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Integration costs ⁽¹⁾ | 1,441 | 227 |
| Restructuring costs ⁽²⁾ | – | 1,449 |
| Non-underlying items included in profit/(loss) from continuing operations | 1,441 | 1,676 |

| Discontinued Operations | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Recognition of onerous lease provision ⁽³⁾ | 1,102 | – |
| Advisory fees ⁽⁴⁾ | 3,424 | – |
| Costs relating to discontinuation of group undertakings ⁽⁵⁾ | 1,205 | – |
| Non-underlying items included in (loss)/profit from discontinued operations | 5,731 | – |
| Total non-underlying items | 7,172 | 1,676 |

1 Integration costs of £1,441,000 (2018: £227,000) were incurred in relation to the closure of the previous Networkers Group head office and the integration of the sales and support functions into the wider Gattaca group, including certain employee restructuring costs.

2 Restructuring costs of £1,449,000 were incurred in the prior year in respect of employee related expenses and professional fees.

3 An onerous lease provision of £1,102,000 was recognised in the year in respect of property directly affected by the closure of the contract Telecoms Infrastructure business.

4 Legal fees incurred in 2019 in relation to the Group's co-operation with certain voluntary enquiries from the US Department of Justice (2018: £nil).

5 Costs relating to the preparation of entities affected by the closure of the contract Telecoms Infrastructure business for liquidation, including professional fees and impairment of certain working capital balances.

5 Particulars of Employees

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

| Total operations | 2019 No. | 2018 No. |
|------------------|-------------|-------------|
| Sales | 531 | 625 |
| Administration | 200 | 226 |
| Directors | 8 | 9 |
| Total | 739 | 860 |

There are no employees employed by the parent company (2018: nil).

The aggregate payroll costs of the above were:

| Total operations | 2019 £'000 | 2018 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 37,189 | 39,865 |
| Social security costs | 4,484 | 4,929 |
| Other pension costs | 905 | 1,835 |

| | | |
|----------------------|---------------|---------------|
| Share-based payments | 269 | 324 |
| Total | 42,847 | 46,953 |

Amounts due to defined contribution pension providers at 31 July 2019 were £165,000 (2018: £153,000).

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 65 to 75.

| | | |
|---|-----------------------|-----------------------|
| Total operations | 2019 £'000 | 2018 £'000 |
| Short-term employee benefits | 2,296 | 1,770 |
| Contributions to defined contribution pension schemes | 163 | 130 |
| Share-based payments | (22) | (86) |
| Total | 2,437 | 1,814 |

6 Finance Income

| | | |
|---|-----------------------|-----------------------|
| Continuing Operations | 2019 £'000 | 2018 £'000 |
| Interest income | 63 | 112 |
| Net gains on foreign currency translation | 302 | 86 |
| Total | 365 | 198 |

7 Finance Costs

| | | |
|---|-----------------------|-----------------------|
| Continuing Operations | 2019 £'000 | 2018 £'000 |
| Bank interest expense | 1,993 | 1,537 |
| Amortisation of capitalised finance costs | 103 | 115 |
| Total | 2,096 | 1,652 |

8 Dividends

| | | |
|---|-----------------------|-----------------------|
| | 2019 £'000 | 2018 £'000 |
| Equity dividends paid during the year at nil pence per share (2018: 20.00 pence) | – | 6,441 |
| Equity dividends proposed after the year end (not recognised as a liability) at nil pence per share (2018: nil) | – | – |

9 Parent Company (Loss)/Profit

| | | |
|---|-----------------------|-----------------------|
| | 2019 £'000 | 2018 £'000 |
| The amount of (loss)/profit generated by the Parent Company is: | (231) | 4,670 |

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.

10 Taxation

| | | Continuing | Discontinued | Continuing | Discontinued |
|--|---|---------------|---------------|---------------|---------------|
| Analysis of charge in the year | | 2019 £'000 | 2019 £'000 | 2018 £'000 | 2018 £'000 |
| Current Tax: | UK corporation tax | 2,368 | (913) | 1,104 | 167 |
| | Overseas corporation tax | 384 | 845 | 711 | 1,675 |
| | Adjustment in respect of prior years | (178) | – | 409 | – |
| | | 2,574 | (68) | 2,224 | 1,842 |
| Deferred tax credit (note 16) | Origination and reversal of temporary differences | (943) | – | (2,505) | – |
| | Adjustments in respect of prior years | (146) | – | 656 | – |
| | | (1,089) | – | (1,849) | – |
| Income tax expense/ (credit) for the year | | 1,485 | (68) | 375 | 1,842 |

UK corporation tax has been charged at 19% (2018: 19%).

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

| | Continuing | Discontinued | Continuing | Discontinued |
|--|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2019 £'000 | 2018 £'000 | 2018 £'000 |
| Profit/(loss) before tax | 3,075 | (7,559) | (26,739) | 1,880 |
| Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%) | 584 | (1,436) | (5,080) | 357 |
| Expenses not deductible for tax purposes and goodwill impairment loss | 1,141 | 42 | 4,220 | – |
| Effect of share-based payments | 107 | – | (12) | – |
| Irrecoverable withholding tax | 109 | 727 | 77 | 1,312 |
| Overseas losses not recognised as deferred tax assets | (231) | 465 | 120 | 12 |
| Difference between UK and overseas tax rates | 99 | 134 | (15) | 161 |
| Adjustment to tax charge in respect of previous years | (324) | – | 1,065 | – |
| Total taxation charge/(credit) for the year | 1,485 | (68) | 375 | 1,842 |

Tax (credit)/charge recognised in equity:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Deferred tax (credit)/charge recognised directly in equity | (15) | 211 |
| Total tax (credit)/charge recognised directly in equity | (15) | 211 |

Future tax rate changes

The UK corporation tax rate of 19% 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 2019.

Reconciliation of statutory to underlying tax charge:

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Income tax expense | 1,485 | 375 |
| Impairment and amortisation of acquired intangibles | 846 | 2,704 |
| Non-underlying items | 244 | 318 |
| Foreign currency exchange differences | (74) | (17) |
| Underlying income tax expense | 2,501 | 3,380 |

11 Discontinued operations

On 4 September 2018 the Group announced that it was withdrawing from the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as its operations in the United Arab Emirates, Singapore, Malaysia and Qatar. As a result, all operations associated with that business stream have been classified as discontinued. As part of this withdrawal, on 25 June 2019 NWKI Consultancy FZ-LLC was sold for cash consideration of £2,000. The entity had net liabilities on disposal of £48,000 resulting in a gain of £46,000.

As detailed in note 15, Gattaca de Colombia SAS, Comms Resources Colombia and Gattaca France SAS have been liquidated during the year, resulting in a gain of £89,000. These entities made a trading loss of £68,000 during the year. The results of these liquidated businesses are included in discontinued operations.

Financial information relating to discontinued operations is as follows:

Financial performance and cash flow information

| | 2019 £'000 | 2018 £'000 |
|---|----------------|---------------|
| Revenue | 11,371 | 36,215 |
| Cost of Sales | (9,860) | (28,751) |
| Gross Profit | 1,511 | 7,464 |
| Administrative expenses ⁽¹⁾ | (9,142) | (5,584) |
| (Loss)/profit from operations | (7,631) | 1,880 |
| Finance income | 72 | – |
| (Loss)/profit before taxation | (7,559) | 1,880 |
| Taxation | 68 | (1,842) |
| (Loss)/profit for the year after taxation from discontinued operations | (7,491) | 38 |
| Exchange differences on translation of discontinued operations | 533 | (64) |
| Other comprehensive (loss) from discontinued operations | (6,958) | (26) |

(1) Included in administrative expenses are £5,731,000 (2018: £nil) of non-underlying items, as detailed in note 4.

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Net cash (outflow)/ inflow from operating activities | (2,810) | 34 |
| Net cash inflow from investing activities | 14 | – |
| Net cash inflow from financing activities | – | 19 |
| Effects of exchange rates on cash and cash equivalents | 53 | 48 |
| Net (decrease)/increase in cash generated by discontinued operations | (2,743) | 101 |

12 Earnings Per Share

Earnings per share (EPS) has been calculated by dividing the consolidated profit or loss after taxation attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share has been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (arising from the Group's share option schemes) into ordinary shares has been added to the denominator. Share incentive plans (Note 23) are treated as dilutive when, at the reporting date, they would be issuable had the performance year ended at that date.

The Group has dilutive potential ordinary shares, being the LTIP and Zero-priced share options (Note 23).

The number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) is calculated based on the monetary value of the subscription rights attached to the outstanding share options.

The effective of potential ordinary shares are reflected in diluted EPS only when they are dilutive. Potential ordinary shares are considered dilutive when their inclusion in the calculation would decrease EPS, or increase the loss per share from continuing operations. This is regardless of whether the potential ordinary shares are dilutive for EPS from total operations. The effect of potential ordinary shares are considered to be dilutive for year ended 31 July 2019 and therefore have been included in the calculation below. The effect of potential ordinary shares in 2018 is considered to be anti-dilutive and therefore was excluded from the calculations below.

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

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Total loss attributable to ordinary shareholders | (5,901) | (27,351) |

| | 2019 000's | 2018 000's |
|---|---------------|---------------|
| Number of Shares | | |
| Basic weighted average number of ordinary shares in issue | 32,267 | 32,079 |
| Dilutive potential ordinary shares | 877 | – |
| Diluted weighted average number of shares | 33,144 | 32,079 |

| | | 2019 pence | 2018 pence |
|-------------------------------------|---------|---------------|---------------|
| Total earnings per share | | | |
| Earnings per ordinary share | Basic | (18.3) | (85.3) |
| | Diluted | (17.8) | (85.3) |
| Earnings from continuing operations | | £'000 | £'000 |
| Total profit/(loss) for the year | | 1,590 | (27,389) |

| | | 2019 pence | 2018 pence |
|---|---------|---------------|---------------|
| Total earnings per share for continuing operations | | | |
| Earnings per ordinary share from continuing operations | Basic | 4.9 | (85.4) |
| | Diluted | 4.8 | (85.4) |
| Earnings from discontinuing operations | | £'000 | £'000 |
| Total (loss)/profit for the year | | (7,491) | 38 |

| | | 2019 pence | 2018 pence |
|--|---------|---------------|---------------|
| Total earnings per share for discontinuing operations | | | |
| Earnings per ordinary share from discontinuing operations | Basic | (23.2) | 0.1 |
| | Diluted | (22.6) | 0.1 |
| Earnings from continuing underlying operations | | £'000 | £'000 |
| Total profit for the year | | 8,859 | 7,207 |

| | | 2019 pence | 2018 pence |
|--|-------|---------------|---------------|
| Total earnings per share for continuing underlying operations | | | |
| | Basic | 27.5 | 22.5 |

| | | | | |
|---|---------|--|------|------|
| Earnings per ordinary share from continuing underlying operations | Diluted | | 26.7 | 22.5 |
|---|---------|--|------|------|

13 Goodwill and Intangible Assets

| Group | | Goodwill £'000 | Customer relationships £'000 | Trade names £'000 | Other £'000 | Software & software licences £'000 | Total £'000 |
|--|---------------------------|-------------------|------------------------------------|-------------------------|----------------|---|----------------|
| Cost | At 1 August 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 |
| | Additions | - | - | 20 | - | 2,856 | 2,876 |
| | At 31 July 2019 | 28,739 | 22,245 | 5,346 | 3,809 | 6,225 | 66,364 |
| | | | | | | | |
| Amortisation and Impairment | At 1 August 2017 | - | 5,641 | 1,864 | 1,884 | 1,398 | 10,787 |
| | Amortisation 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 |
| | Amortisation for the year | - | 758 | 167 | 339 | 328 | 1,592 |
| | Impairment | 2,603 | 2,468 | 744 | 67 | - | 5,882 |
| At 31 July 2019 | 24,382 | 19,924 | 4,951 | 3,289 | 2,067 | 54,613 | |
| | | | | | | | |
| Net Book Value | At 31 July 2018 | 6,960 | 5,547 | 1,286 | 926 | 1,630 | 16,349 |
| | At 31 July 2019 | 4,357 | 2,321 | 395 | 520 | 4,158 | 11,751 |

Other intangibles comprises candidate databases and non-compete agreements.

The carrying amount of goodwill allocated to Cash Generating Unit's (CGU's) is as follows:

| | 2019 £'000 | 2018 £'000 |
|------------------------------|---------------|---------------|
| UK Engineering | 1,712 | 1,712 |
| International | - | 2,603 |
| Resourcing Solutions Limited | 2,645 | 2,645 |
| Total | 4,357 | 6,960 |

Impairment testing

Goodwill and intangible assets are reviewed and tested for impairment on an annual basis or more frequently to determine if there is an indication of impairment.

If any indication of impairment exists, then the goodwill CGU or individual asset's recoverable amount is calculated.

The key assumptions and estimates used when calculating value in use, are as follows:

Cash flows from operations

Cash flows from operations are based on the latest five year profit forecasts 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 13.3%-15.7% (2018: 12.9% to 13.3%) 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 11.2% (2018: 11.0%) for UK CGUs and 11.8% (2018: 11.0%) for the International CGU.

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 external sources of an average estimated growth rate of 2.0% (2018: 2.7%), using a weighted average of operating country real GDP growth expectations.

As a result of these forecasts, total impairment losses of £5,882,000 (2018: £33,320,000) have been recorded in respect of goodwill and acquired intangibles within the International CGU (2018: UK Technology, International and Professional Services CGU's), as follows:

| | Goodwill 2019 £'000 | Intangible assets 2019 £'000 | Total 2019 £'000 | Goodwill 2018 £'000 | Intangible assets 2018 £'000 | Total 2018 £'000 |
|---------------|---------------------------|------------------------------------|------------------------|---------------------------|------------------------------------|------------------------|
| UK Technology | - | - | - | 11,611 | 9,126 | 20,737 |
| International | 2,603 | 3,279 | 5,882 | 8,525 | 1,961 | 10,486 |

| | | | | | | |
|-----------------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Professional Services | - | - | - | 1,643 | 454 | 2,097 |
| Total | 2,603 | 3,279 | 5,882 | 21,779 | 11,541 | 33,320 |

In the prior year, goodwill and intangibles within the Professional Services CGU, which wholly related to the Provanis acquisition, were fully impaired as the business was de-branded and fully integrated into the Group's existing Technology business. The recoverable amount of the Professional Services CGU at 31 July 2018 was £nil.

Goodwill and acquired intangibles within the UK Technology, UK Engineering and International CGU's relate to the Networkers acquisition and have been impaired due to lower forecasts of trading performance against original expectations at the time of acquisition. At 31 July 2019, the recoverable amounts of the UK Technology CGU was £9,984,000 (2018: £11,737,000) and £5,349,000 (2018: £5,753,000) for the UK Engineering CGU.

Reasonable changes in key assumptions, such as a 20 basis point increase in the UK post-tax discount rate to 11.4%, a 20 basis point reduction in the long term growth rate to 1.8%, or a 2.0% reduction in forecast profit from operations between 2020 to 2022, do not result in impairment of any the remaining CGU carrying values.

14 Property, Plant and Equipment

| Group | | Motor vehicles £'000 | Leasehold improvements £'000 | Fixtures, fittings & equipment £'000 | Total £'000 |
|---------------------------------|--|-------------------------|---------------------------------|---|----------------|
| Cost | At 1 August 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 |
| | Additions | 6 | 414 | 253 | 673 |
| | Disposals | (37) | - | (159) | (196) |
| | Effects of movements in exchange rates | - | - | (17) | (17) |
| | At 31 July 2019 | 21 | 4,730 | 4,632 | 9,383 |
| Accumulated Depreciation | At 1 August 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 |
| | Charge for the year | 3 | 514 | 374 | 891 |
| | Released on disposal | (30) | - | (73) | (103) |
| | At 31 July 2019 | 17 | 1,897 | 4,177 | 6,091 |
| Net Book Value | At 31 July 2018 | 8 | 2,933 | 679 | 3,620 |
| | At 31 July 2019 | 4 | 2,833 | 455 | 3,292 |

Included within Leasehold Improvements is a cost of £1,747,000 (2018: £1,390,000) relating to dilapidations provisions (see note 18). There were no capital commitments as at 31 July 2019 or 31 July 2018.

15 Investments in Subsidiary Undertakings

| Cost and carrying value: | Company | |
|---------------------------------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| Balance at 1 August 2018 | 8,311 | 7,987 |
| Capital contributions to subsidiaries | 269 | 324 |
| Balance at 31 July 2019 | 8,580 | 8,311 |

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

The subsidiary undertakings at the year end are as follows:

| Company | Registered Office Note | Country of Incorporation | Share Class | % held 2019 | % held 2018 | Main Activities |
|---|------------------------|--------------------------|-------------|-------------|-------------|--------------------------------------|
| Matchtech Group (Holdings) Limited ⁽¹⁾ | 1 | United Kingdom | Ordinary | 99.7% | 99.7% | Holding |
| Matchtech Group Management Company Limited ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Matchtech Group (UK) Limited ⁽³⁾ | 1 | United Kingdom | Ordinary | 99.998% | 99.998% | Provision of recruitment consultancy |
| Matchtech Engineering Limited ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Matchtech Limited ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Barclay Meade Ltd ⁽³⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Alderwood Education Ltd ⁽³⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Gattaca Solutions Limited ⁽³⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Connectus Technology Limited ⁽³⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Gattaca Recruitment Limited ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Application Services Limited ⁽³⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |

| | | | | | | |
|---|----|----------------------|----------|------|------|--------------------------------------|
| Provanis Limited ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Networkers International Limited ⁽¹⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Holding |
| Networkers International (UK) Limited ⁽¹⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Networkers International Trustees Limited ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| The Comms Group Limited ⁽¹⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Holding |
| CommsResources Limited ⁽¹⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Comms Software Limited ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Elite Computer Staff Ltd. ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Networkers Recruitment Services Limited ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Cappo Group Limited ⁽¹⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Holding |
| Cappo International Limited ⁽¹⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Resourcing Solutions Limited ⁽¹⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| MSB Consulting Services Limited ⁽²⁾ | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Gattaca GmbH | 2 | Germany | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| MSB International GMBH | 14 | Germany | Ordinary | 100% | 100% | Non trading |
| Gattaca BV | 3 | Netherlands | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Matchtech Engineering Inc | 4 | United States | Ordinary | 100% | 100% | Non trading |
| Networkers International LLC | 5 | United States | Ordinary | 100% | 100% | Non trading |
| Networkers Inc | 5 | United States | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Cappo Inc | 5 | United States | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Networkers International (Canada) Inc | 11 | Canada | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| NWI Mexico, S. de R.L. de C.V. | 6 | Mexico | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Gattaca Mexico Services, S.A. de C.V. ⁽⁵⁾ | 6 | Mexico | Ordinary | 100% | N/A | Provision of recruitment consultancy |
| Networkers International South Africa Proprietary Limited | 7 | South Africa | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Networkers International Proprietary Limited | 7 | South Africa | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Kithara Investments Proprietary Limited | 8 | South Africa | Ordinary | 100% | 100% | Holding |
| Kula Nathi Investments Proprietary Limited | 7 | South Africa | Ordinary | 100% | 100% | Holding |
| Networkers International (China) Co. Limited | 9 | China | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Networkers International (Malaysia) Sdn Bhd | 10 | Malaysia | Ordinary | 100% | 100% | Non trading |
| Comms Resource SDN. BHD | 10 | Malaysia | Ordinary | 100% | 100% | Non trading |
| Gattaca de Colombia SAS ⁽³⁾ | 12 | Colombia | Ordinary | 0% | 100% | Non trading |
| Comms Resources SAS (Colombia) ⁽³⁾ | 12 | Colombia | Ordinary | 0% | 100% | Non trading |
| NWKI Consultancy FZ LLC | 13 | United Arab Emirates | Ordinary | 100% | 100% | Non trading |
| NWKI Communications LLC ⁽³⁾ | 13 | United Arab Emirates | Ordinary | 0% | 49% | Non trading |
| Cappo Qatar LLC ⁽⁴⁾ | 16 | Qatar | Ordinary | 49% | 49% | Non trading |
| Networkers Consultancy (Singapore) PTE. Limited | 15 | Singapore | Ordinary | 100% | 100% | Non trading |
| Gattaca SAS ⁽³⁾ | 17 | France | Ordinary | 0% | 100% | Non trading |
| Gattaca Recruitment ETT, SLU | 18 | Spain | Ordinary | 100% | 100% | Non trading |
| Gattaca Information Technology Services SLU | 18 | Spain | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Networkers International (India) PTE | 19 | India | Ordinary | 100% | 100% | Non trading |

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

Networkers International (UK) Limited has a branch in Russia which is consolidated in the Group's result.

Kula Nathi Investments Proprietary Limited formed a partnership with Ingenious Equity Proprietary Limited in 2018 to set up Sakha Sonke Private Equity Fund. Kula Nathi has control over the private equity fund in line with the criteria of IFRS 10 and therefore Sakha Sonke Private Equity Fund has been consolidated in the Group's result.

The Group's Share Incentive Plan (SIP) is held by Gattaca plc UK Employee Benefit Trust (the EBT). The Group has control over the EBT and therefore it has been consolidated in the Group's results.

- 1 For the year ended 31 July 2019, Gattaca plc has provided a legal guarantee dated 5 November 2019 under s479C of the Companies Act 2006 to these subsidiaries for audit exemption.
- 2 These dormant companies are exempt from preparing individual Financial Statements by virtue of s394A of Companies Act 2006.
- 3 These companies were disposed of or liquidated in the year, with the shareholding remaining the same as per year ended 31 July 2018 up to the date of disposal or liquidation. They were considered non-trading during the year ended 31 July 2019.
- 4 Gattaca plc has 100% of the beneficial interest in these entities, and consolidates them as wholly owned subsidiaries in line with IFRS 10.
- 5 Gattaca Mexico Services, S.A. de C.V was incorporated in October 2018 and wholly consolidated from that date.

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- 19 3rd Floor, 301 DLF City Court Sikandarpur, Gurgaon-122002 Hararyana, India

16 Deferred Tax

| Group | Asset 2019 £'000 | Liability 2019 £'000 | Net 2019 £'000 | (Charged)/ credited to profit 2019 £'000 | Credited to equity 2019 £'000 | Foreign exchange 2019 £'000 |
|--|------------------------|----------------------------|----------------------|--|--|--------------------------------------|
| Share-based payments | 105 | – | 105 | (2) | 15 | – |
| Depreciation in excess of capital allowances | 8 | – | 8 | (35) | – | – |
| Accelerated capital allowances | – | (556) | (556) | 842 | – | – |
| Other temporary and deductible differences | 47 | – | 47 | 284 | – | 1 |
| Amounts available for offset | (160) | 160 | – | – | – | – |
| Net deferred tax assets/(liabilities) | – | (396) | (396) | 1,089 | 15 | 1 |

| Group | Asset 2018 £'000 | Liability 2018 £'000 | Net 2018 £'000 | (Charged)/ credited 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 |

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

| | Group | |
|--------------------------------|---------------|----------------|
| | 2019 £'000 | 2018 £'000 |
| At 1 August | (1,501) | (3,141) |
| Acquired intangibles | – | – |
| Recognised in income (Note 10) | 1,089 | 1,849 |
| Recognised in equity | 15 | (211) |
| Foreign exchange | 1 | 2 |
| At end of year | (396) | (1,501) |

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Deferred tax assets reversing within 1 year | 29 | 20 |
| Deferred tax liabilities reversing within 1 year | (114) | (469) |
| At end of year | (85) | (449) |

| | 2019 £'000 | 2018 £'000 |
|---|---------------|----------------|
| Deferred tax assets reversing after 1 year | 131 | 115 |
| Deferred tax liabilities reversing after 1 year | (442) | (1,167) |
| At end of year | (311) | (1,052) |

Unrecognised deferred tax assets

| | Group | |
|--|---------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| Tax losses carried forward against profits of future years | 755 | 537 |
| Depreciation in excess of capital allowances | – | 45 |
| Other temporary and deductible differences | 88 | 645 |
| Net deferred tax assets | 843 | 1,227 |

Of the unused tax losses £1,646,000 (2018: £1,730,000) can be carried forward indefinitely and £261,000 (2018: £99,000) 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 £9,002,000 (2018: £10,617,000). If the earnings were remitted, tax of £164,000 (2018: £191,000) would be payable.

The UK corporation tax rate will reduce from 19% 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.

17 Trade and Other Receivables

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Trade receivables from contracts with customers, net of loss allowance | 71,704 | 81,773 | – | – |
| Amounts owed by Group companies | – | – | 100,877 | 94,925 |
| Corporation tax receivables | 329 | 241 | 281 | – |
| Other receivables | 660 | 1,351 | – | 2 |
| Prepayments | 1,198 | 1,600 | – | – |
| Accrued income | 22,837 | 27,947 | – | – |
| Total | 96,728 | 112,912 | 101,158 | 94,927 |

The amounts owed by Group undertakings in the Company Statement of Financial Position are considered to approximate to fair value. Amounts owed by Group companies are unsecured, repayable on demand and accrue no interest.

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

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

No expected credit loss allowance under IFRS 9 has been recognised for accrued income as the credit risk over accrued income is not considered to be material to the Group.

Impairment of trade receivables from contracts with customers

| | Group | |
|---|----------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| Trade receivables from contracts with customers, gross amounts | 73,893 | 83,320 |
| Loss allowance | (2,189) | (1,547) |
| Trade receivables from contracts with customers, net of loss allowance | 71,704 | 81,773 |

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

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

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

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

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

The loss allowance for trade receivables was determined as follows:

| 2019 | Current | More than 30 days past due | More than 60 days past due | More than 90 days past due | Total |
|---|---------------|----------------------------------|----------------------------------|----------------------------------|---------------|
| Weighted expected loss rate | 1.4% | 2.0% | 4.1% | 53.4% | |
| Gross carrying amount-trade receivables | 69,944 | 1,130 | 665 | 2,154 | 73,893 |
| Loss allowance | 987 | 23 | 28 | 1,151 | 2,189 |

| 2018 | Current | More than 30 days past due | More than 60 days past due | More than 90 days past due | Total |
|---|---------|----------------------------------|----------------------------------|----------------------------------|--------|
| Weighted expected loss rate | 1.3% | 5.0% | 5.5% | 14.3% | |
| Gross carrying amount-trade receivables | 76,482 | 3,027 | 1,628 | 2,183 | 83,320 |
| Loss allowance | 993 | 152 | 90 | 312 | 1,547 |

The increase in the loss allowance rate for trade receivables more than 90 days past due is as a result of expecting a 100% loss rate on remaining aged receivables relating to discontinued business of £1,126,000 at 31 July 2019 (31 July 2018: £595,000).

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

| | Group | |
|--|---------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| Opening loss allowance at 1 August | 1,547 | 1,028 |
| Increase in loss allowance recognised in profit and loss during the year | 994 | 1,184 |
| Receivable written off during the year as uncollectible | (352) | (665) |
| Closing loss allowance at 31 July | 2,189 | 1,547 |

18 Provisions

| Group | 2019 | | | 2018 | | |
|-----------------------------|----------------------------------|-----------------------------------|----------------|----------------------------------|-----------------------------------|----------------|
| | Dilapidation provisions £'000 | Onerous lease provisions £'000 | Total £'000 | Dilapidation provisions £'000 | Onerous lease provisions £'000 | Total £'000 |
| Balance at 1 August | 1,390 | – | 1,390 | 1,596 | – | 1,596 |
| Provisions made in the year | 402 | 1,102 | 1,504 | 43 | – | 43 |
| Provisions utilised | (45) | (167) | (212) | (249) | – | (249) |
| Unwinding of discount | – | (1) | (1) | – | – | – |
| Balance at 31 July | 1,747 | 934 | 2,681 | 1,390 | – | 1,390 |

| Group | 2019 | | | 2018 | | |
|--------------|----------------------------------|-----------------------------------|----------------|----------------------------------|-----------------------------------|----------------|
| | Dilapidation provisions £'000 | Onerous lease provisions £'000 | Total £'000 | Dilapidation provisions £'000 | Onerous lease provisions £'000 | Total £'000 |
| Non-Current | 1,747 | 602 | 2,349 | 1,390 | – | 1,390 |
| Current | – | 332 | 332 | – | – | – |
| Total | 1,747 | 934 | 2,681 | 1,390 | – | 1,390 |

Onerous lease provisions of £1,102,000 were recorded in the year in relation to the remaining lease term of property that is no longer in use by the Group as a result of the closure of the contract Telecoms Infrastructure business. These costs are presented as non-underlying as shown in note 4.

No provisions are held by the parent company (2018: nil).

19 Trade and Other Payables

| | Group | | Company | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Trade payables | 285 | 2 | – | – |
| Amounts owed to Group undertakings | – | – | 54,083 | 47,647 |
| Taxation and social security | 8,013 | 10,144 | – | – |
| Contractor wages payable | 24,270 | 16,560 | – | – |
| Accruals and deferred income | 7,024 | 11,980 | – | – |
| Other payables | 1,084 | 2,164 | – | – |
| Total | 40,676 | 40,850 | 54,083 | 47,647 |

Amounts owed to Group undertakings are unsecured, repayable on demand and accrue no interest.

20 Loans and Borrowings

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Working capital facility | 29,119 | 35,859 | – | – |
| Finance costs capitalised | (81) | (158) | – | – |
| Bank loans and borrowings due in less than one year | 29,038 | 35,701 | – | – |
| Term loan | 15,000 | 15,000 | 15,000 | 15,000 |
| Finance costs capitalised | (43) | (69) | (43) | (69) |
| Bank loans and borrowings due in more than one year | 14,957 | 14,931 | 14,957 | 14,931 |
| Total bank loans and borrowings | 43,995 | 50,632 | 14,957 | 14,931 |

At 31 July 2019 (31 July 2018) the Group had agreed banking facilities with HSBC totalling £90m comprising a £75m Invoice Financing working capital facility and a £15m (2018: £20m) Term Loan Facility committed until October 2020.

The Group's working capital facilities are secured by way of an all assets debenture, which contains fixed and floating charges over the assets of the Group. This facility allows certain companies within the Group to borrow up to 90% of invoiced trade receivables up to a maximum of £75m. Interest is charged on borrowings at a rate of 2.30% (2018: 1.6%) over HSBC Bank base rate.

The Group's £15m (2018: £20m) Term Loan Facility 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% (2018: 3.25%) over HSBC LIBOR rate. The Group is required to complying with certain financial covenants in the Term Loan facility and all covenant requirements were satisfied in the year.

21 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 years under review may also be categorised as follows:

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

| | Group | | Company | |
|---|----------------|---------------|----------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Trade and other receivables (note 17) | | | | |
| - Financial assets recorded at amortised cost | 95,201 | 111,071 | 100,877 | 94,927 |
| Cash and cash equivalents | | | | |
| - Financial assets recorded at amortised cost | 19,173 | 9,758 | - | - |
| Total | 114,374 | 120,829 | 100,877 | 94,927 |

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

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Borrowings (note 20) | | | | |
| - Financial liabilities recorded at amortised cost | 43,995 | 50,632 | 14,957 | 14,931 |
| Trade and other payables (note 19) | | | | |
| - Financial liabilities recorded at amortised cost | 32,663 | 30,706 | 54,083 | 47,647 |
| Total | 76,658 | 81,338 | 69,040 | 62,578 |

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

22 Commitments Under Operating Leases

The Group's commitments under non-cancellable operating leases are as follows:

| | | | Group | |
|-----------------------|-----------------------|----------------------|---------------|---------------|
| | | | 2019 £'000 | 2018 £'000 |
| Land/buildings | Payments falling due: | within 1 year | 2,210 | 2,067 |
| | | between 1 to 5 years | 6,418 | 6,894 |
| | | after 5 years | 2,516 | 4,670 |
| | | | 11,144 | 13,631 |
| Other | Payments falling due: | within 1 year | 210 | 183 |
| | | between 1 to 5 years | 188 | 176 |
| | | after 5 years | 1 | - |
| | | | 399 | 359 |

The Company has no commitments under non-cancellable operating leases. (2018: nil).

23 Share Capital

Authorised share capital

| | Company | |
|---|---------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| 40,000,000 (2018: 40,000,000) Ordinary shares of £0.01 each | 400 | 400 |

Allotted, called up and fully paid:

| | Company | |
|---|---------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| 32,285,000 (2018: 32,256,000) Ordinary shares of £0.01 each | 323 | 323 |

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

| | Company | |
|----------------------------|---------------|--------------|
| | 2019 '000 | 2018 '000 |
| In issue at 1 August | 32,256 | 31,801 |
| Exercise of share options | 29 | 455 |
| In issue at 31 July | 32,285 | 32,256 |

Share Options

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

| | 2019 '000s | 2018 '000s | Date of grant | Exercise price pence | Exercise period | |
|----------------------------------|---------------|---------------|------------------|-------------------------|-----------------|------------|
| | | | | | From | 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 | 1 | 31/01/2012 | 1 | 30/01/2015 | 31/01/2022 |
| Zero Priced Share Option Bonus | 2 | 2 | 31/01/2013 | 1 | 30/01/2015 | 31/01/2023 |
| Zero Priced Share Option Bonus | 2 | 4 | 31/01/2013 | 1 | 30/01/2016 | 31/01/2023 |
| Zero Priced Share Option Bonus | 5 | 6 | 01/01/2014 | 1 | 01/01/2016 | 01/01/2024 |
| Zero Priced Share Option Bonus | 34 | 41 | 01/01/2014 | 1 | 01/01/2017 | 01/01/2024 |
| Zero Priced Share Option Bonus | 3 | 5 | 28/01/2015 | 1 | 28/01/2017 | 28/01/2025 |
| Zero Priced Share Option Bonus | 27 | 35 | 28/01/2015 | 1 | 28/01/2018 | 28/01/2025 |
| Zero Priced Share Option Bonus | – | 10 | 16/10/2015 | 1 | 16/10/2018 | 16/10/2025 |
| Long Term Incentive Plan Options | – | 13 | 11/02/2016 | 1 | 11/02/2019 | 11/02/2026 |
| Zero Priced Share Option Bonus | – | 60 | 11/02/2016 | 1 | 11/02/2019 | 11/02/2026 |
| Long Term Incentive Plan Options | – | 15 | 11/02/2016 | 225 | 11/02/2019 | 11/02/2026 |
| Zero Priced Share Option Bonus | 62 | 62 | 03/02/2017 | 1 | 03/02/2020 | 03/02/2027 |
| Zero Priced Share Option Bonus | 107 | 122 | 31/01/2017 | 1 | 31/01/2020 | 31/01/2027 |
| Long Term Incentive Plan Options | – | 83 | 31/01/2017 | 72 | 31/01/2019 | 31/01/2027 |
| Long Term Incentive Plan Options | 72 | 83 | 31/01/2017 | 72 | 31/01/2020 | 31/01/2027 |
| Long Term Incentive Plan Options | – | 55 | 31/01/2017 | 145 | 31/01/2019 | 31/01/2027 |
| Long Term Incentive Plan Options | 38 | 55 | 31/01/2017 | 145 | 31/01/2020 | 31/01/2027 |
| Zero Priced Share Option Bonus | 324 | – | 19/12/2018 | 1 | 19/12/2021 | 19/12/2028 |
| Zero Priced Share Option Bonus | 201 | – | 19/12/2018 | 1 | 19/12/2021 | 19/12/2028 |
| Total | 883 | 657 | | | | |

During the year, the Group granted share options under a Zero Priced Share Option Bonus for Executive Directors and Senior Management. The zero priced share options were granted on 19 December 2018 to members of staff subject to a three-year holding period, a release price of 1 pence per share and are subject to either Total Shareholder Return (TSR) or Earnings per Share (EPS) performance conditions. All share options have a life of 10 years and are equity settled on exercise.

The movement in share options is shown below:

| | 2019 | | | 2018 | | |
|-------------------------------|--------------|---|--------------------------------------|--------------|---|--------------------------------------|
| | 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 | 657 | 48.2 | – | 1,477 | 30.4 | – |
| Granted | 525 | 1.0 | – | – | 22.6 | – |
| Forfeited/ lapsed | (270) | 76.8 | – | (365) | 40.5 | – |
| Exercised | (29) | 1.0 | 129.8 | (455) | 1.7 | 276.6 |
| Outstanding at 31 July | 883 | 13.1 | | 657 | 48.2 | |
| Exercisable at 31 July | 78 | 1.0 | | 109 | 1.0 | |

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

| Exercise Date | 2019 | | | 2018 | | |
|---------------|---|--------------|---|---|--------------|---|
| | 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) |
| 31/01/2019 | – | – | – | 6 | 138 | 101.8 |
| 11/02/2019 | – | – | – | 7 | 88 | 41.1 |
| 31/01/2020 | 6 | 217 | 49.9 | 18 | 260 | 53.8 |
| 03/02/2020 | 6 | 62 | 1.0 | 18 | 62 | 1.0 |
| 18/12/2021 | 29 | 525 | 1.0 | – | – | – |
| Total | | 804 | | | 548 | |

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 92,247 shares (2018: 83,740) under this scheme, incurring a charge of £23,564 (2018: £26,723) recognised in the share-based payment reserve.

The Group's Share Incentive Plan is held by an Employee Benefit Trust (EBT) for tax purposes. The EBT buys shares with funds from the Group and any shares held by the EBT are distributed to employees once vesting conditions are satisfied. The Group has control over the EBT and therefore it has been consolidated at 31 July 2019. As at 31 July 19, excess funds of £140,000 was held by the EBT, which has been included in cash and cash equivalents.

The following expenses in relation to share-based payment transactions were incurred:

| Group | 2019 £'000 | 2018 £'000 |
|----------------------------------|---------------|---------------|
| Zero Priced Share Option Bonus | 19 | 82 |
| Long Term Incentive Plan Options | 77 | 88 |
| Share Incentive Plan | 173 | 154 |
| Total | 269 | 324 |

The key assumptions used in the calculation of fair value per awards are as follows:

| Date of grant | | Share price on the date of grant (£) | Exercise price (£) | Volatility (%) | Vesting period (yrs) | Dividend yield (%) | Risk free rate of interest (%) | Fair value (£) |
|---------------|----------------------------------|--------------------------------------|--------------------|----------------|----------------------|--------------------|--------------------------------|----------------|
| 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 Priced Share Option Bonus | 2.92 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.27 |
| 31/01/2017 | Zero Priced Share Option Bonus | 2.92 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.51 |
| 31/01/2017 | Zero Priced Share Option Bonus | 2.90 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.23 |
| 31/01/2017 | Zero Priced Share Option Bonus | 2.90 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.49 |
| 31/01/2017 | Long Term Incentive Plan Options | 2.90 | 0.72 | 31.6% | 3.00 | 7.9% | 0.3% | 0.86 |
| 03/02/2017 | Long Term Incentive Plan Options | 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 |
| 10/09/2018 | SIP | 1.40 | 0.01 | N/A | 3.00 | N/A | N/A | 1.40 |
| 08/10/2018 | SIP | 1.30 | 0.01 | N/A | 3.00 | N/A | N/A | 1.30 |
| 08/11/2018 | SIP | 1.41 | 0.01 | N/A | 3.00 | N/A | N/A | 1.41 |
| 10/12/2018 | SIP | 1.14 | 0.01 | N/A | 3.00 | N/A | N/A | 1.14 |
| 19/12/2018 | Zero Priced Share Option Bonus | 1.07 | 0.01 | N/A | 3.00 | 0.0% | N/A | 1.08 |
| 19/12/2018 | Zero Priced Share Option Bonus | 1.07 | 0.01 | 44.9% | 3.00 | 0.0% | 0.7% | 0.73 |
| 09/01/2019 | SIP | 1.13 | 0.01 | N/A | 3.00 | N/A | N/A | 1.13 |
| 08/02/2019 | SIP | 1.17 | 0.01 | N/A | 3.00 | N/A | N/A | 1.17 |
| 11/03/2019 | SIP | 1.18 | 0.01 | N/A | 3.00 | N/A | N/A | 1.18 |
| 08/04/2019 | SIP | 1.39 | 0.01 | N/A | 3.00 | N/A | N/A | 1.39 |
| 09/05/2019 | SIP | 1.58 | 0.01 | N/A | 3.00 | N/A | N/A | 1.58 |
| 10/06/2019 | SIP | 1.53 | 0.01 | N/A | 3.00 | N/A | N/A | 1.53 |
| 08/07/2019 | SIP | 1.43 | 0.01 | N/A | 3.00 | N/A | N/A | 1.43 |

For Zero Priced Share Option Bonus grants in 2019 that are subject to a Total Shareholder Return (TSR) vesting condition, a Monte Carlo simulation model was used for valuation. For Zero Priced Share Option Bonus grants in 2019 that are subject to an Earnings per Share (EPS) growth vesting condition, a Binomial model was used for valuation.

Prior to the 2018 award, 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. 2018 onwards, the volatility of the Company's share price on date of grant was calculated using the historical daily share price of the Company over a term commensurate with the expected life of the award. For all awards 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.

24 Transactions with Directors and Related Parties

During the year the Group made sales of £89,000 (2018: £152,000) to InHealth Group Ltd and purchases of £11,000 (2018: £7,000) from Preventicum UK Limited which are related parties by virtue of common directorship of Richard Bradford. During the year, the Group made sales of £201,000 (2018: £350,000) to Tricoya Technologies Limited, a subsidiary of Accsys Technologies Plc, which is considered as a related party transaction by virtue of common directorship of Patrick Shanley. As at the year end, there was no balance outstanding for any transactions for InHealth Group Ltd, Preventicum UK Limited or Tricoya Technologies Limited (2018: £5,000 outstanding balance with InHealth Group Ltd, £nil for Preventicum UK Limited, £nil for Tricoya Technologies Limited). 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 £715,000 (2018: £803,000) for provision of management services. Further details of transactions with Directors are included in the Director's Remuneration Report on pages 65 to 75.

The remuneration of key management is disclosed in note 5.

25 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 | 0 to <1 years £'000 | 1 to <2 years £'000 | 2 to <5 years £'000 | 5 years and over £'000 | Contractual cash flows £'000 |
|-------|------------------------|------------------------|------------------------|------------------------------|------------------------------------|
| 2019 | | | | | |

| | | | | | |
|--|---------------|---------------|---------------|---|---------------|
| Term loan | 531 | 15,129 | - | - | 15,660 |
| Invoice financing working capital facility | 29,228 | - | - | - | 29,228 |
| Trade payables | 25,639 | - | - | - | 25,639 |
| Total | 55,398 | 15,129 | - | - | 70,527 |
| 2018 | | | | | |
| Term loan | 556 | 500 | 15,121 | - | 16,177 |
| Invoice financing working capital facility | 35,907 | - | - | - | 35,907 |
| Trade payables | 18,725 | - | - | - | 18,725 |
| Total | 55,188 | 500 | 15,121 | - | 70,809 |

| Company | 0 to <1 years £'000 | 1 to <2 years £'000 | 2 to <5 years £'000 | 5 years and over £'000 | Contractual cash flows £'000 |
|--------------|------------------------|------------------------|------------------------|---------------------------|---------------------------------|
| 2019 | | | | | |
| Term loan | 531 | 15,129 | - | - | 15,660 |
| Total | 531 | 15,129 | - | - | 15,660 |
| 2018 | | | | | |
| Term loan | 556 | 500 | 15,121 | - | 16,177 |
| Total | 556 | 500 | 15,121 | - | 16,177 |

Borrowing facilities

The Group makes use of working capital facilities and a term loan, details of which can be found in note 20. The undrawn facility available at year end in respect of which all conditions precedent had been met was as follows:

| | Group | | Company | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| Expiring in one to five years | 24,880 | 19,506 | - | 5,000 |

The Directors have calculated that the effect on profit of a 100 basis point increase in interest rates would be an expense of £634,000 (2018: expense of £756,000).

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

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 four covenant periods. As at 31 July 2019 the Group has financing facilities of £90m comprising a £75m Invoice Financing Facility and a £15m Term Loan Facility until October 2020. The available financing facilities in place are sufficient to meet the Group's forecast cash flows.

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.

Net foreign currency monetary assets are shown below:

| | Group | |
|-----------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| US Dollar | 11,324 | 8,371 |
| Euro | 4,561 | 5,541 |

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 £4,279,000 (2018: £3,567,000). A 25 cent weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and reduced net assets by £2,778,000 (2018: £2,353,000).

The Company only holds balances denominated in its functional currency and so is not exposed to foreign currency risk.

26 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
- by 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 year under review is summarised as follows:

| | Group | |
|------------------------------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 |
| Total equity | 41,907 | 47,019 |
| Cash and cash equivalents | (19,173) | (9,758) |
| Capital | 22,734 | 37,261 |
| | | |
| Total equity | 41,907 | 47,019 |
| Borrowings | 43,995 | 50,632 |
| Overall financing | 85,902 | 97,651 |
| | | |
| Capital to overall financing ratio | 26% | 38% |

27 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.

| 2019 | 1 August 2018 £'000 | Net cash flows £'000 | Amortisation of financing costs £'000 | 31 July 2019 £'000 |
|---|------------------------|-------------------------|---|-----------------------|
| Cash and cash equivalents | 9,758 | 9,415 | – | 19,173 |
| Interest-bearing term loan | (15,000) | – | – | (15,000) |
| Working capital facilities | (35,859) | 6,740 | – | (29,119) |
| Total net debt | (41,101) | 16,155 | – | (24,946) |
| Capitalised finance costs | 227 | – | (103) | 124 |
| Total net debt after capitalised finance costs | (40,874) | 16,155 | (103) | (24,822) |

| 2018 | 1 August 2017 £'000 | Net cash flows £'000 | Amortisation of financing costs £'000 | 31 July 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) |

28 Non-controlling Interests

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

29 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.

We continue our cooperation with the United States Department of Justice and in 2019 have incurred £3.4m in advisory fees on this matter. The Group is not currently in a position to know what the outcome of these enquiries may be and therefore we are unable to quantify the likely outcome for the Group.

30 Events after the Reporting Date

On 31 October 2019, the Group renewed its financing facilities with HSBC, extending the term out to October 2022. The new facility allows the Group to mitigate the impact of the leverage covenant on the business, minimise the risk of an interruption to liquidation and improve the cost effectiveness of the overall financing arrangements. The three year facility agreement includes a £75m Invoice Financing Facility and a £15m Revolving Credit Facility (RCF).