3 November 2022

Gattaca plc

Preliminary Results for the year ended 31 July 2022

Ongoing focus on improvement

Gattaca plc ("Gattaca" or the "Group"), the specialist engineering and technology staffing solutions business, today announces its Preliminary Results for the year ended 31 July 2022.

Financial Highlights

	2022		**Restated 2021**			
	Continuing Reported	Continuing underlying[2]	Continuing Reported	Continuing underlying[2]	Continuing Reported	**Continuing underlying[2]**
	£m	**£m**	£m	£m	%	%
Revenue	**403.3**	**403.3**	415.7	415.7	-3.0	**-3.0**
Net Fee Income (NFI)[1]	**44.1**	**44.1**	42.1	42.1	4.9	**4.9**
(Loss)/profit from operations	**(5.1)**	**0.5**	1.9	2.2	n/a	**-77.5**
(Loss)/profit before taxation	**(4.8)**	**0.3**	0.8	1.8	n/a	**-86.0**
Basic (loss)/earnings per share	**(13.4)p**	**0.3p**	2.4p	5.3p	n/a	**-94.0**
Diluted (loss)/earnings per share	**(13.4)p**	**0.3p**	2.4p	5.3p	n/a	**-94.0**
Dividend per share	**0.0p**	**n/a**	1.5p	n/a	n/a	**n/a**
Statutory net cash at end of period	**12.3**	**n/a**	14.1	n/a	-12.6	**n/a**

Continuing business excludes the discontinued business in South Africa and Mexico, which were closed in July 2021

Financial Performance

- NFI £44.1m (2021: £42.1m), up 5% on the prior year
  - Contract NFI represents 71% of Group NFI on a continuing basis (2021 restated: 74%). Contract NFI was flat year on year driven by contract losses primarily within contract in H1.
  - Benefit is expected to come in the contract market in FY23 as demand for contractors is shifting to outweigh permanent combined with increased project demand in our core sectors
  - Permanent NFI represents 29% of Group NFI (2021 restated: 26%), recording a 18% growth year on year, driven by recovery post COVID-19 pandemic
- Group continuing underlying profit before tax of £0.3m (2021 restated: £1.8m), reflecting investment in headcount
- Robust balance sheet:
  - Group statutory net cash position of £12.3m at 31 July 2022 (2021: £14.1m net cash)
  - Movement in cash partially driven by £5.6m of deferred VAT fully repaid in the year
  - DSO at 31 July 2022 was 51 days (2021: 52 days), a recovery of the DSO position from 62 days reported at 31 January 2022, and a return to the long term trend
  - The Group is covenant free
- During the year, we took a further impairment charge of £4.6m (2021: £0.2m), writing off all remaining goodwill, intangible assets and right-of-use leased asset values relating to the Resourcing Solutions business acquired in 2017, due to an expected sustained reduction in future profitability of the division
- No final dividend (2021: 1.5 pence). The Board remains committed to paying dividends when the Group returns to sustainable levels of profitability
- Continued investment in total Group sales headcount up 10% versus FY21

Strategic Update

Continued focus on developing the four identified strategic priorities:

- Increase external focus
  - New Chief Sales Officer appointed to combine client acquisition and growth across all sectors and geographies
  - Investment in brand and enhanced social media presence

    - Creation of Group-wide Performance Scorecards including targets set for all sales colleagues focused on client engagement and sustainable growth
- Culture
    - Alignment of leadership team with business objectives, increased visibility, communication, and openness
    - Appointed Head of Engagement, ED&I & Talent
    - Enhanced staff engagement and continued focus
- Operational performance
    - Appointed new COO to focus on internal operational performance
    - Embedded our new technology systems, launched at the end of FY21, into Group operating processes and procedures with all colleagues now operating on a single platform
    - Deployment of enhanced candidate sourcing tool into our technology platform
    - Enhanced visibility of key management information to enable better data-backed decision making, supporting and informing decisions to exit inefficient and low-margin business
- Cost rebalancing
    - Restructuring of sales leadership
    - Optimisation of office space and cost
    - Funded 5% cost of living increase for all staff across the group
    - Reduced DSO thus reducing our borrowing costs

Evolution and development of the four strategic priorities to continue in 2023 with further progress already underway in the new financial year.

Outlook

We are mindful of the current macro-economic conditions, but as a STEM skills focused business we do not believe they will have a significant impact on our business model as we continue to see robust demand in our key markets. There remains a shortage of candidates which plays to our key strength of deep knowledge and understanding of our sectors and niche skills.

The development of our strategic priorities will continue as planned and we are confident that the changes we have made in the last six months combined with the long-term fundamentals in our core STEM markets leave us well placed for the future. Our expectations for FY23 remain unchanged at underlying profit before tax of £2.5m for the year.

Matthew Wragg, CEO commented:

“Although the performance of the business during the year is not acceptable for a business with our capability, I am pleased with the progress that we have made during the second half of the year. We have worked hard to transform the business through the building of our culture and once again becoming a winning team. Today, with a new leadership structure, a more engaged workforce and early signs of more consistent and improved performance, we are on track to be a stronger business.

“Whilst we remain conscious of the uncertain macro-economic environment, we are far better set up for success than we were 12 months ago and have a roadmap for further improvements. I am excited about the journey that we are all on and the start that we have made.”

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 the NFI and profits / (losses) before taxation of discontinued businesses predominantly being operations in Mexico and South Africa (2022: £(0.3)m, 2021: £(1.2)m), non-underlying items within administrative expenses in 2022 primarily relating to employee restructuring and fees associated with exiting properties (2022: £0.6m, 2021: £(0.2)m), amortisation of acquired intangibles (2022: £0.4m, 2021: £0.5m), impairment of acquired intangibles and right of use assets (2022: £4.6m, 2021: £0.2m), and exchange (losses) / gains from revaluation of foreign assets and liabilities (2022: £0.6m, 2021: £(0.7)m)*
[3] *NFI commentary is on a continuing underlying like for like basis*

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Chair's Statement

The financial year certainly did not turn out as we had expected. Whilst the pandemic had a small carryover effect in the first half of the year, there was a recovery in the market, mainly in permanent placements, which represents only 29% of our business. Our expected growth within the contract placement market failed to materialise. Whilst the market demand was there, the combination of major client losses, increased focus on permanent recruitment and the business adapting to new systems and operating model meant we didn't capture the market opportunity. We have continued to invest in our technology and our sales people and we are confident we can move forward with these building blocks in place.

It also became apparent during the year that to move forward with pace, agility and confidence we needed to accelerate the planned change in leadership, given the scale of further improvement required in the business. It was therefore agreed that Kevin Freeguard would retire from the Board on 1 April 2022 and be replaced by Matt Wragg as Chief Executive Officer.

Matt brings with him a wealth of recruitment experience, knowledge of our business and has the support and commitment of both the Board and our Senior Leadership Team. Salar Farzad agreed to leave the business at the same time and stepped aside to allow Oliver Whitaker to take over as Chief Financial Officer. Oliver has been with the business since 2018 and has made a seamless transition into his new role. In December 2021, Ros Haith joined the Board as a Non-Executive Director.

Our previous Board review concluded that we would benefit from someone with a sales background; Ros has extensive experience in leading sales at several large organisations, with a strong focus in digital and technology.

Following the appointment of Matt Wragg as CEO there has been an internal reset within the business with more focus on the external environment, both the customer and the market. Equally, we have a renewed and reenergised team who have clear and aligned objectives and targets for everyone to deliver against. Our Values are being embedded: we are once again focused on our people and the initiative we undertook in 2021 on our Purpose, Vision, Mission and Values is at the bedrock of everything we do. Our priority within the business is on delivering to our clients and finding the best STEM talent to fulfil their needs. As we anticipated, we are in a 'candidate short' market where there are more talent opportunities than candidates; this is when we are at our best. We have every confidence that we have the right leadership team to encourage our people and deliver success through growth.

Overview

The market recovery in the first half of the year was in permanent placements whilst our contract markets were much slower to recover. We saw a 33% increase in permanent placements largely through contingency recruitment and also via our Recruitment Process Outsourcing (RPO) contracts. Towards the end of our financial year, we saw some improvement in our contractor sectors which bodes well for FY23. We lost a small number of Managed Service Provider (MSP) clients during the year which had some impact on NFI, less so at net profit level, and we have also seen a reversal of this trend in the early part of FY23 with several quality client wins. Our STEM markets are candidate driven and will continue to be so for the foreseeable future.

During the year, our new leadership team has been challenged with bedding in our new systems and adding a suite of packages which are now available as a result of the investment we undertook over the last five years. In the early part of our system implementation, we placed additional pressure on our sales and back-office teams which was a distraction when we should have been focused on our customers. These early teething problems are now behind us and we are starting to see the benefits of our new systems, which is starting to reflect in higher productivity from our sales consultants. As with most businesses, we have seen an increase in people turnover. Our focus on culture has already begun to show a positive impact on attrition at the end of the year; we will continue to develop this going forward.

In the second half of the year, we have focused on addressing our cost base. Firstly, by streamlining the decision-making process with the removal of a management layer across the global sales business. We have broadened sales representation in our Senior Leadership Team, to allow for a wider understanding of key issues and higher clarity on agreed actions.

To optimise our property costs, we have reduced our footprint in the UK and US; at our head office we have reduced our buildings from three to one, achieved through hybrid working and a more effective use of space. Further work remains ongoing in relation to third party costs.

Our net cash position at the end of the year was £12.3m, a reduction from July 2021, when it was £14.1m, driven by final repayments of the temporary COVID VAT deferral of £5.6m offset by improved working capital management. The Group's DSO at the year end of 51.2 days was also slightly ahead of last year (51.6 days) and substantially below the January 2022 reported DSO of 61.7 days. This reduction was the result of resolving a major customer dispute and new system implementation issues that had impacted billing cycles.

As at 31 July 2022, the Group had a working capital facility of £60million, reduced from £75million in the year.

Dividend

Our long-standing objective has been to achieve a through-the-cycle dividend pay-out of approximately 50% of profits after tax. Last year, the Board felt comfortable reinstating the dividend and felt that 1.5p per share was a reasonable first step towards our objective. However, as a result of the loss for the year, the Board decided not to propose a dividend. The Board remains committed to paying dividends when the Group returns to sustainable levels of profitability.

Diversity and inclusion
This year we continued to address the gender balance on the Board. With the appointment of Ros we now have nearly 30% representation. As a Group, we remain committed to becoming a more diverse organisation; as part of this, we continue to work towards our previously set targets of a 40% management gender balance by 2024 and 50% by 2026. Aligned to our focus on equity, diversity and inclusions, we are developing our strategy to support all forms of diversity.

We have promoted diversity training throughout the year, having engaged several external partners to help with fostering a wider understanding throughout the organisation. We have launched our Limitless programme aimed at tackling the gender imbalance across our business, set up communities for LGBTQ+ colleagues and are looking externally to see how we can support our clients in their endeavours in this area.

Outlook
There is no doubt that Gattaca is well positioned to reap the demand for STEM talent and, whilst there may be macroeconomic headwinds ahead, we do not believe they will have a significant impact on our business model. What is clear is that we are a people business; we will only be successful if we can harness the potential of our talented people and truly embed our Values of Trust, Professionalism, Ambition and Fun in everything we do. Whilst we have achieved many positive things over the years, we are conscious that in recent years, execution has been our Achilles heel; with our new leadership in place, we have started to tackle this.

We continue to believe that our key STEM markets will remain short of candidates which bodes well for our inch-wide, mile-deep knowledge. As the economy softens we should see a better balance between demand and skills available but do not expect to be faced with an abundance of candidates. We believe that large infrastructure and defence projects will continue under existing government policies; however, in the UK, spend is likely to be slower to materialise due to economic headwinds and therefore the next six months will remain relatively flat. We are confident that the changes we have made in the business leave us better placed for the future.

Patrick Shanley
Non-Executive Chair

Chief Executive's Statement

Key Highlights
• We have aligned our four strategic priorities to our sales growth targets

• We have taken steps towards a fundamental shift in our culture, with increased focus on embodying our Values, working to reduce attrition and supporting our ED&I goals

• Substantially increased the regularity and authenticity of our internal communications

Overview
This year has been one of substantial change for Gattaca. Just over a year ago we announced our Purpose, Vision, Mission and Values as the bedrock of our identity, our future direction and the culture we wanted to create. It is the work that has taken place over the past year to create alignment with these principles that has started to transform the business. Today, with a new leadership structure, a more engaged workforce and early signs of more consistent and improved performance, we are in a much stronger position than 12 months ago.

These changes came against the backdrop of three challenging years: our operating model and infrastructure, key legislation, financial structures and systems all saw significant upheaval, combined with the macro-economic uncertainty from the COVID-19 pandemic and a fundamental change in global working models to remote and hybrid working.

One of the things that I am most aware of after my first seven months as CEO, is that it feels like a new chapter – there is a marked improvement in the atmosphere and culture of the business, and we have achieved some positive client wins. Our key challenge now will be to convert this momentum into consistent growth and deliver the performance we know we are capable of over a sustained period.

I would like to thank the Board for their belief and backing in me and my leadership team to steer the business through our new chapter, building on the work that has been done.

Performance
Whilst we saw positive signs of improvement in the second half of the year, overall performance in FY22 was below our expectations at the outset of the year.

Although we could see the scale of the external opportunity as the recruitment markets recovered strongly in the wake of COVID-19, we overestimated the operational capability of the business to capitalise on this. We also underestimated the continued impact of the necessary business and operational changes we were making to build a stronger business.

Although external demand has been high, demand for contract lagged behind permanent recruitment, and the battle for talent resulting from the shortage of candidates within our niche STEM focus areas led to far higher offer-to-reject ratios. With new technology systems embedding, we also struggled to cope with the significant increase in headcount needed to service the demand and, like most recruitment companies, suffered from higher attrition among our own people than we had traditionally seen. Over the year we saw a significant growth in our permanent recruitment business, with 18% growth year-on-year, driven to some extent by increased demand from our major Recruitment Process Outsourcing (RPO) contracts as we saw recovery out of the COVID-19 pandemic.

During the second half of the year, we delivered against our adjusted expectations for the full year results and began building positive momentum by winning our first opportunities of significant scale for a couple of years. We also began delivering consistent week-on-week growth across both permanent and contract recruitment. This was as a result of our focus on cultural transformation, system enhancement optimisation, reducing attrition and enabling our newly hired frontline sales people to be productive more quickly.

Strategy
At the outset of Q4 we announced four strategic priority areas to deliver performance:

• External Focus

• Culture

• Operational Performance

• Cost Rebalancing

I am confident that these continue to be the right strategic priorities to ensure Gattaca fulfil its fantastic potential and capitalise on its many great strengths. I am pleased to report we have made good strides in the last six months across all four areas and work continues.

External Focus
We are committed to being market driven and people-oriented.

We have fantastic insights, 'inch-wide, mile-deep' knowledge and understanding of our sectors and the niche STEM skills that they require. We appointed Grahame Carter, a long-standing member of the sales leadership team, as Chief Sales Officer, to work on driving client acquisition and growth across all our sectors and through the implementation of new performance management processes, all our sales people have targets focused on client engagement and growth. With the business refocused externally, we remain confident that these fundamental strengths will drive us forward as we return to growth.

Businesses in all sectors today are in heavy competition for talent; for us to deliver for our clients we have had to increase the quality of our candidate experience. Fortunately, this has been a fundamental ingredient to our performance for over three decades and, as such, it has come naturally to our leadership and colleagues.

We have invested in sales training, leadership development and increased marketing and business development for our brands which will begin to generate returns in the year ahead.

Culture
We have made huge strides in embedding our culture: engagement, collaboration and accountability are all up and attrition is improving. We've increased communication, visibility of leadership and focus on non-financial recognition across the business and we will see more of this over the months and years to come.

As a business that helps 'find people to work with people', diversity and inclusion is something I'm passionate about. As such, I'm really pleased that we have appointed Sally Spicer as our Head of Engagement, ED&I and Talent. Sally has been a high performer within our permanent recruitment sales business for a number of years. Among Sally's first achievements in her new role is the launch of our 'Limitless' programme aimed at tackling the gender imbalance within the Group and the set-up of LGBTQ+ communities for our people. Sally will develop our internal ED&I strategy, build external partnerships and support the business to take that expertise to market.

Operational Performance
We are continuing to refine our operational processes to improve the client and candidate journey. This will naturally see us rebalancing our cost base towards the skills, tooling and locations where we can benefit most.

We appointed Paul King, previously Head of our Solutions division, to Chief Operating Officer; his remit is to simplify our delivery and improve our productivity. In FY22, we embedded our technology systems, focusing on user training to embed behaviours and drive efficiencies. Alongside this, the integration of an enhanced candidate sourcing tool into our new technology platform has substantially increased the volume of candidates we can source through searches which is critical in a candidate-short market. Modern systems have naturally driven higher quality and more extensive data to better inform our decision-making. As an example, we took a strategic decision to exit a major but very low margin client in the year, enabling our people to be rediverted to more profitable delivery.

Cost Rebalancing
Alongside investments in technology and people, we've managed to reduce costs in other key areas of the business, including those associated to leadership, property and third-party contracts. The savings generated from this cost rationalisation have been used to invest in further technology tools, marketing and colleague engagement projects and to fund a cost-of-living pay increase for our people who are currently living through a time of extreme pressure on living costs.

Outlook
Clearly the performance of the business during the year is not acceptable for a business with our capability, however I am pleased with the progress that we have made during the second half of the year. We have worked to transform the business through the building of our culture and becoming a winning team. Today, with a new leadership structure, a more engaged workforce and early signs of more consistent and improved performance, we are in a much stronger position as a business.

We are better set up for success than we were 12 months ago but remain conscious of the uncertain macro-economic environment and that we have much to do to get ourselves to the level we are aiming for. I am excited about the journey that we are all on and we have made a solid start.

Matt Wragg
Chief Executive Officer

Chief Financial Officer's Report

Key Highlights
• NFI growth of 5% YoY on a continuing underlying basis

• Continuing underlying profit before tax of £0.3m in FY22 (2021: £1.8m restated)

• Adjusted statutory net cash of £12.3m (2021: £14.1m)

• Investment in our people adding 10% to our Group sales headcount during the year

• New leadership team in place with revised strategic priorities launched

Financial Performance
On a continuing basis, revenue of £403.3m (2021: £415.7m) generated NFI of £44.1m (2021: £42.1m). We achieved contract and Statement of Work (SoW) NFI of £31.4m (2021: £31.3m) at a margin of 8.0% (2021: 7.6%), and permanent recruitment fees of £12.8m (2021: £10.8m). SoW NFI, included within contract NFI, of £1.3m (2021: £1.2m) is all delivered though contract labour provision on long term projects. Contract NFI was flat year-on-year due to the loss of some key MSP clients including TfL, UKPN and BMW UK, and losses associated with the collapse of NMCN plc dampening growth.

Underlying profit before tax from continuing operations was £0.3m (2021 restated: £1.8m). Statutory loss after tax for the total Group was £(4.7)m (2021 restated: loss of £(0.4)m). Within underlying trading, credits of £0.4m were recorded as a result of revaluation of dilapidation provisions associated with our property portfolio.

Statutory net cash at 31 July 2022 was £12.3m (31 July 2021: £14.1m); the reduction in net cash year-on-year of £1.8m included final repayments of £5.6m of temporary VAT deferral. The optimisation of the Group's working capital is a key focus and during the second half of the year the group has benefitted from a significant improvement from the half year as we have reduced DSO through improved collection performance and resolution of a substantial disputed debtor balance.

Discontinued operations and non-underlying costs
The below table reconciles continuing underlying profit before tax to reported statutory loss before tax for the total Group:

£'000	Profit/(loss) before tax
Continuing underlying profit before tax	256
Restructuring costs	(405)
Other continuing non-underlying costs	(153)
Operating loss related to discontinued operations	(476)
Restructuring and closure costs relating to discontinued operations	(95)
Amortisation and Impairment of goodwill, acquired intangibles and ROU leased assets	(5,051)
Foreign exchange differences	784
Loss before tax for the total Group	(5,140)

Restructuring costs in the year related to the continued activities are primarily notice payments for previous Executive management and senior leadership. Costs associated with discontinued operations related to ongoing closure costs of those operations treated as discontinued in prior periods, primarily Mexico, South Africa and Malaysia. We will continue to incur costs associated with discontinuing legacy operations as the legal wind down of those operations is concluded over the coming years.

During the year, we took a further impairment charge of £4.6m (2021: £0.2), writing off all remaining goodwill, intangible assets and right-of-use leased asset values relating to the Resourcing Solutions business acquired in 2017, due to a downgrade in forecasts for future profitability of the division. Amortisation of acquired intangible assets was £0.4m.

We continue to co-operate with the US Department of Justice and there have been no significant new matters in this regard during the year. Legal fees on this matter were £33,000 in the year (2021: £29,000). As shown in Note 28 to the financial statements, the Group is not currently in a position to know what the outcome of these enquiries may be and we are therefore unable to quantify the potential financial impact, if any.

Taxation
The Group's reported effective tax rate was -9.1% (2021 restated: -6.3%), driven down by non-deductible expenses such as

goodwill impairment and overseas losses not recognised as deferred tax assets, reducing taxable losses. Further detail is set out in Note 10 of the consolidated financial statements. The continuing underlying effective tax rate was 60.2% (2021 restated: 7.2%).

Earnings per share
Basic (loss) per share was (14.5) pence (2021 restated: (1.4) pence), and on a fully diluted basis was (14.5) pence (2021 restated: (1.4) pence). Continuing underlying basic earnings per share was 0.3 pence (2021 restated: 5.3 pence).

Dividends
Our long-standing objective has been to achieve a through-the-cycle dividend payout of approximately 50% of profits after tax. Last year, the Board felt comfortable reinstating the dividend and felt that 1.5p per share was a reasonable first step towards our objective. However, this year the Board decided not to recommend a dividend. The Board remains committed to paying dividends when the Group returns to sustainable levels of profitability.

Capital expenditure
The Group incurred capital expenditure in the period of £0.4m (2021 restated: £0.4m). Following the publication of the IFRS Interpretations Committee's ('IFRIC') final agenda decision on accounting for configuration and customisation costs in a SaaS arrangement, including for cloud-based arrangements, the Group has updated its accounting policy for this area. This change in accounting policy has been applied to all relevant capitalised intangible asset costs held on the balance sheet, see Note 1.25 of the consolidated financial statements.

Net assets, equity and shares In Issue at 31 July 2022
The Group had net assets of £30.0m (2021 restated: £35.1m) and had 32.3m (2021: 32.3m) fully paid ordinary shares in issue. During the year, the merger reserve in Gattaca plc relating to the Networkers 2015 acquisition of £28.5m was transferred to retained earnings in order to present all distributable reserves in one place. This merger reserve had become fully realised in prior periods, as detailed in Note 23.

Cash flow and net cash position
Group statutory net cash at 31 July 2022 was £12.3m (31 July 2021: £14.1m). The reduction in net cash year-on-year of £1.8m included £5.6m of repayments of temporary VAT deferral, which is now repaid to HMRC in full. The Group's trade and other receivables balance was £54.8m at 31 July 2022 (31 July 2021: £64.1m), of which debtor and accrued income balances were £51.7m (31 July 2021: £60.9m), a £9.2m reduction over the 12 month period.

The Group's days sales outstanding ('DSO') at 31 July 2022 of 51.2 days is a reduction of 0.4 days since 31 July 2021, however a reduction of 10.5 days on DSO reported at 31 January 2022. The challenges that the Group was encountering at 31 January 2022 in relation to a key customer dispute and system implementation issues are now resolved, which has resulted in the substantial reduction to normalised levels of DSO. In addition to this, the loss of a highly working capital intensive MSP client has resulted in an unwind of working capital.

As at 31 July 2022, the Group had a working capital facility of £60m, reduced from £75m in the year as the higher limit was not required; this facility includes both recourse and non-recourse elements. Under the terms of the non-recourse facility, the trade receivables are assigned to, and owned by, HSBC and so have been derecognised from the Group's statement of financial position. In addition, the non-recourse working capital facility does not meet the definition of loans and borrowings under IFRS. The utilisation of this facility at 31 July 2022 was £(1.8)m recourse and £(9.6)m non-recourse, with unutilised facility headroom of £33.1m.

Critical accounting policies
The statement of significant accounting policies is set out in Note 1.24 to the consolidated financial statements.

Group financial risk management
The Board reviews and agrees policies for managing financial risks. The Group's finance function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It seeks to ensure that adequate liquidity exists at all times, to meet its cash requirements. The Group's financial instruments comprise borrowings, cash and various items, such as trade receivables and trade payables that arise from its operations. 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 seeks to trade only with recognised, creditworthy third parties. We monitor receivable and unbilled balances on an ongoing basis and in 2022 have continued to take a conservative approach to receivables and unbilled risk in light of the challenges in the UK and overseas economies, tempered by an overall reduction in trade receivables and accrued income balances and the write-off of certain irrecoverable receivables (such as balances with NMCN plc), resulting in a decrease to our loss allowance by £(1.8)m to £2.8m.

There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 8% (2021: 7%) of total receivables balances at 31 July 2022.

In October 2021 NMCN Plc entered into administration. Our total client exposure at this point was £1.4m, of which £0.8m exposure at the prior year end was covered by existing credit loss provisions. In the current year we also utilised existing credit loss provisions against the total exposure suffered.

Foreign currency risk

The Group generates 6% 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 and where appropriate entering into forward exchange contracts to effect the same where sales and costs are not in the same currency.

Oliver Whittaker
Chief Financial Officer

Consolidated Income Statement

For the year ended 31 July 2022

	Note	2022 £'000	Restated[1] 2021 £'000
Continuing operations			
Revenue	2	**403,346**	415,726
Cost of sales		**(359,206)**	(373,646)
Gross profit	2	**44,140**	42,080
Administrative expenses[2]		**(49,244)**	(40,188)
(Loss)/profit from continuing operations	4	**(5,104)**	1,892
Finance income	6	**570**	56
Finance cost	7	**(253)**	(1,136)
(Loss)/profit before taxation		**(4,787)**	812
Taxation	10	**460**	(41)
(Loss)/profit for the year after taxation from continuing operations		**(4,327)**	771
Discontinued operations			
Loss for the year from discontinued operations (attributable to equity holders of the Company)	11	**(346)**	(1,208)
Loss for the year		**(4,673)**	(437)

Loss for the year for 2022 and 2021 are wholly attributable to equity holders of the Company. The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company income statement.

Total earnings per ordinary share	Note	2022 pence	Restated[1] 2021 pence
Basic loss per share	12	**(14.5)**	(1.4)
Diluted loss per share	12	**(14.5)**	(1.4)

Earnings from continuing operations per ordinary share	Note	2022 pence	Restated[1] 2021 pence
Basic (loss)/earnings per share	12	**(13.4)**	2.4
Diluted (loss)/earnings per share	12	**(13.4)**	2.4

Reconciliation to adjusted profit measure

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

	2022 £'000	Restated[1] 2021 £'000
(Loss)/profit from continuing operations	**(5,104)**	1,892
Add:		
Depreciation of property, plant and equipment, leased right-of-use assets and amortisation of software and software licences	**2,210**	2,185
Non-underlying items included within administrative expenses	**558**	(193)
Amortisation and impairment of goodwill and acquired intangibles and impairment of leased right-of-use assets	**5,051**	548
Underlying EBITDA	**2,715**	4,432
Less:		
Depreciation of property, plant and equipment, leased right-of-use assets and amortisation of software and software licences	**(2,210)**	(2,185)
Net finance costs excluding foreign exchange gains and losses	**(249)**	(412)
Underlying profit before taxation	**256**	1,835
Underlying taxation	**(154)**	(132)
Underlying profit after taxation from continuing operations	**102**	1,703

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

2 Administrative expenses from continuing operations includes net impairment release on trade receivables and accrued income of £295,000 (2021: losses of £420,000).

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2022

	Note	2022 £'000	Restated[1] 2021 £'000
Loss for the year		**(4,673)**	(437)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**72**	281
Other comprehensive income for the year		**72**	281
Total comprehensive loss for the year attributable to equity holders of the parent		**(4,601)**	(156)

	2022 £'000	Restated[1] 2021 £'000
Attributable to:		
Continuing operations	**(4,024)**	1,004
Discontinued operations	**(577)**	(1,160)
	(4,601)	(156)

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

Consolidated and Company Statements of Changes in Equity

For the year ended 31 July 2022

A) Consolidated

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Treasury shares reserves £'000	Restated[1] Retained earnings £'000	Total £'000
At 1 August 2020 as per originally presented	323	8,706	28,750	526	(147)	(97)	1,711	39,772
Adjustments due to change of accounting policy, net of tax (Note 1.25)	–	–	–	–	–	–	(4,738)	(4,738)
Restated total equity at 1 August 2020	323	8,706	28,750	526	(147)	(97)	(3,027)	35,034
Loss for the year	–	–	–	–	–	–	(437)	(437)
Other comprehensive income	–	–	–	–	281	–	–	281
Total comprehensive loss	–	–	–	–	281	–	(437)	(156)
Deferred tax movement in respect of share options	–	–	–	–	–	–	65	65
Share-based payments charge (Note 23)	–	–	–	104	–	–	–	104
Share-based payments reserves transfer	–	–	–	(176)	–	–	176	–
Issue of treasury shares to employees	–	–	–	–	–	60	–	60
Transactions with owners	–	–	–	(72)	–	60	241	229
At 31 July 2021	323	8,706	28,750	454	134	(37)	(3,223)	35,107
At 1 August 2021	**323**	**8,706**	**28,750**	**454**	**134**	**(37)**	**(3,223)**	**35,107**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(4,673)**	**(4,673)**
Other comprehensive income	**–**	**–**	**–**	**–**	**72**	**–**	**–**	**72**
Total comprehensive loss	**–**	**–**	**–**	**–**	**72**	**–**	**(4,673)**	**(4,601)**
Deferred tax movement in respect of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(60)**	**(60)**
Share-based payments charge (Note 23)	**–**	**–**	**–**	**145**	**–**	**–**	**–**	**145**
Share-based payments reserves transfer	**–**	**–**	**–**	**(249)**	**–**	**–**	**249**	**–**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**(110)**	**–**	**(110)**
Translation reserve movements on disposal of foreign operations[2]	**–**	**–**	**–**	**–**	**931**	**–**	**(931)**	**–**
Dividends paid in the year (Note 29)	**–**	**–**	**–**	**–**	**–**	**–**	**(484)**	**(484)**
Transfer of merger reserve (Note 23)	**–**	**–**	**(28,526)**	**–**	**–**	**–**	**28,526**	**–**

Transactions with owners	**–**	**–**	**(28,526)**	**(104)**	**931**	**(110)**	**27,300**	**(509)**
At 31 July 2022	**323**	**8,706**	**224**	**350**	**1,137**	**(147)**	**19,404**	**29,997**

B) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment £'000	Treasury shares reserves £'000	Retained earnings £'000	Total £'000
At 1 August 2020	323	8,706	28,526	526	–	1,446	39,527
Loss and total comprehensive expense for the year (Note 9)	–	–	–	–	–	(866)	(866)
Share-based payments charge (Note 23)	–	–	–	104	–	–	104
Share-based payments reserves transfer	–	–	–	(176)	–	176	–
Purchase of treasury shares	–	–	–	–	(16)	–	(16)
Transactions with owners	–	–	–	(72)	(16)	176	88
At 31 July 2021	323	8,706	28,526	454	(16)	756	38,749
At 1 August 2021	323	8,706	28,526	454	(16)	756	38,749
Profit and total comprehensive income for the year (Note 9)	**–**	**–**	**–**	**–**	**–**	**296**	**296**
Share-based payments charge (Note 23)	**–**	**–**	**–**	**145**	**–**	**–**	**145**
Share-based payments reserves transfer	**–**	**–**	**–**	**(249)**	**–**	**249**	**–**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**(91)**	**–**	**(91)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(484)**	**(484)**
Transfer of merger reserve (Note 23)	**–**	**–**	**(28,526)**	**–**	**–**	**28,526**	**–**
Transactions with owners	**–**	**–**	**(28,526)**	**(104)**	**(91)**	**28,291**	**(430)**
At 31 July 2022	**323**	**8,706**	**–**	**350**	**(107)**	**29,343**	**38,615**

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

2 The movement through the translation reserve in the year ended 31 July 2022 is in respect of disposal of foreign operations relates to the sale of the South African recruitment operations in December 2021 and the realisation of previously unrealised foreign exchange losses.

Consolidated and Company Statements of Financial Position

As at 31 July 2022

		Group			Company	
			Restated[1]	Restated[1]		
		31-Jul-22	31-Jul-21	01-Aug-20[2]	31-Jul-22	31-Jul-21
	Note	£'000	£'000	£'000	£'002	£'000
Non-current assets						
Goodwill and intangible assets	13	**2,072**	6,343	6,948	**11**	13
Property, plant and equipment	14	**1,359**	1,578	1,492	**–**	–
Right-of-use assets	22	**3,065**	5,674	7,338	**–**	–
Investments	15	**–**	–	19	**38,608**	38,463
Deferred tax assets	16	**604**	971	859	**–**	–
Total non-current assets		**7,100**	14,566	16,656	**38,619**	38,476
Current assets						
Trade and other receivables	17	**54,767**	64,135	48,946	**2,757**	3,046
Corporation tax receivables		**1,263**	818	26	**238**	195
Cash and cash equivalents		**17,768**	29,238	34,796	**7**	4
Assets classified as held for sale	11	**–**	346	–	**–**	–
Total current assets		**73,798**	94,537	83,768	**3,002**	3,245
Total assets		**80,898**	109,103	100,424	**41,621**	41,721
Non-current liabilities						
Deferred tax liabilities	16	**(25)**	(14)	(29)	**–**	–
Provisions	18	**(517)**	(1,269)	(1,587)	**–**	–
Lease liabilities	22	**(2,490)**	(4,281)	(5,746)	**–**	–
Bank loans and borrowings	20	**–**	–	(7,304)	**–**	–
Total non-current liabilities		**(3,032)**	(5,564)	(14,666)	**–**	–
Current liabilities						
Trade and other payables	19	**(43,406)**	(56,121)	(46,129)	**(3,006)**	(2,972)
Provisions	18	**(1,187)**	(464)	(1,207)	**–**	–
Current tax liabilities		**(340)**	(796)	(1,247)	**–**	–
Lease liabilities	22	**(1,135)**	(1,480)	(1,990)	**–**	–
Bank loans and borrowings	20	**(1,801)**	(9,348)	(151)	**–**	–
Liabilities directly associated with assets classified as held for sale	11	**–**	(223)	–	**–**	–
Total current liabilities		**(47,869)**	(68,432)	(50,724)	**(3,006)**	(2,972)
Total liabilities		**(50,901)**	(73,996)	(65,390)	**(3,006)**	(2,972)
Net assets		**29,997**	35,107	35,034	**38,615**	38,749
Equity						
Share capital	23	**323**	323	323	**323**	323
Share premium		**8,706**	8,706	8,706	**8,706**	8,706
Merger reserve	23	**224**	28,750	28,750	**–**	28,526
Share-based payment reserve		**350**	454	526	**350**	454
Translation reserve		**1,137**	134	(147)	**–**	–
Treasury shares reserve		**(147)**	(37)	(97)	**(107)**	(16)
Retained earnings		**19,404**	(3,223)	(3,027)	**29,343**	756
Total equity		**29,997**	35,107	35,034	**38,615**	38,749

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

2 Following the material restatement of the comparative information in relation to cloud computing arrangements, as explained further in Note 1.25, a third balance sheet has been presented as at 1 August 2020, in line with the requirements of IAS 1.

The amount of profit generated by the parent Company was £296,000 for the year ended 31 July 2022 (2021: loss of £866,000).

The financial statements were approved by the board of directors on 2 November 2022 and signed on its behalf by

Oliver Whittaker

Chief Financial Officer

Consolidated and Company Cash Flow Statements

For the year ended 31 July 2022

		Group		Company	
			Restated[1]		
		2022	2021	2022	2021
	Note	£'000	£'000	£'000	£'000
Cash flow from operating activities					
(Loss)/profit after taxation		**(4,673)**	(437)	**296**	(866)
Adjustments for:					
Depreciation of property, plant and equipment and amortisation of goodwill and intangible assets, software and software licences	4	**1,078**	901	**2**	3
Depreciation of leased right-of-use assets	4	**1,552**	1,875	**–**	–
Loss from sale of subsidiary, associate or investment		**82**	–	**–**	–
Loss on disposal of property, plant and equipment		**33**	8	**–**	–
Loss on disposal of software and software licences		**12**	–	**–**	–
Impairment of goodwill and acquired intangibles	4	**3,780**	–	**–**	–
Impairment of right-of-use assets	4	**852**	183	**–**	–
Profit on reassessment of lease term		**(27)**	–	**–**	–
Impairment of property, plant and equipment		**–**	18	**–**	–
Interest income	6	**(4)**	(65)	**(1)**	–
Interest costs	7	**253**	1,218	**–**	260
Taxation (credit)/expense recognised in income statement	10	**(467)**	26	**(235)**	(189)
Decrease/(increase) in trade and other receivables		**9,368**	(15,499)	**582**	68,992
(Decrease)/increase in trade and other payables		**(12,715)**	10,098	**(67)**	(60,617)
Increase in provisions		**(54)**	(1,064)	**–**	–
Share-based payment charge	23	**145**	271	**–**	–
Investment income		**–**	–	**(1,350)**	–
Foreign exchange gains		**31**	–	**–**	–
Cash (used in)/generated from operations		**(754)**	(2,467)	**(773)**	7,583
Interest paid	7	**(138)**	(320)	**–**	(63)
Interest on lease liabilities	7	**(115)**	(156)	**–**	–
Interest received	6	**4**	65	**1**	–
Income taxes paid		**(200)**	(1,322)	**–**	–
Cash (used in)/generated from operating activities		**(1,203)**	(4,200)	**(772)**	7,520
Cash flows from investing activities					
Purchase of property, plant and equipment	14	**(370)**	(332)	**–**	–
Purchase of intangible assets	13	**(29)**	(83)	**–**	–
Dividends received		**–**	–	**1,350**	–
Cash (used in)/generated from investing activities		**(399)**	(415)	**1,350**	–
Cash flows from financing activities					
Lease liability principal repayment		**(1,924)**	(2,355)	**–**	–
(Purchase)/issue of treasury shares		**(110)**	60	**(91)**	(16)
Working capital facility (repaid)/utilised		**(7,547)**	9,197	**–**	–
Repayment of term loan		**–**	(7,500)	**–**	(7,500)
Dividends paid	29	**(484)**	–	**(484)**	–
Cash used in financing activities		**(10,065)**	(598)	**(575)**	(7,516)
Effects of exchange rates on cash and cash equivalents		**197**	(345)	**–**	–
(Decrease)/increase in cash and cash equivalents		**(11,470)**	(5,558)	**3**	4
Cash and cash equivalents at the beginning of the year		**29,238**	34,796	**4**	–

	Note	Group 2022 £'000	Group Restated[1] 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash and cash equivalents at end of year[2]		**17,768**	29,238	**7**	4

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

2 Included in cash and cash equivalents is the following restricted cash which meets the definition of cash and cash equivalents but is not available for use by the Group: £615,000 of restricted cash (2021: £7,115,000) arising from the Group's non-recourse working capital arrangements, as discussed further in Note 20; and £1,662,000 of restricted cash (2021: £1,240,000) on deposit in accounts controlled by the Group but not available to be immediately be drawn down.

Net decrease in cash and cash equivalents for discontinued operations was £742,000 (year to 31 July 2021: decrease of £1,534,000).

Notes Forming Part of the Financial Statements

1. The Group and Company Significant Accounting Policies

1.1 The Business of the Group

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

1.2 Basis of preparation of the financial statements

The financial statements of Gattaca plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 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 1.24.

1.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows and liquidity are described in the Chief Financial Officer's Report.

Post-pandemic, the Group has maintained mitigating actions to enhance working capital availability, including increases to the payment terms of certain types of contractors and these actions have created a permanent working capital benefit, and reduce our working capital requirements during growth. There is sufficient headroom on our working capital facilities to absorb a level of customer payment term extensions, but we would also manage supply to the customer if payment within an appropriate period was not being made. Whilst there is no evidence that it would occur, a significant deterioration in average payment terms has the potential to impact the Group's liquidity. The hybrid working style adopted by the majority of our staff is now fully integrated with our core business processes and there continues to be no significant impact to our ability to operate effectively.

The Group anticipates macroeconomic challenges over the next financial year, significantly in the UK where increases in energy prices continue to drive rising inflation and real potential for a UK recession. The UK Government's Mini-Budget on 23 September 2022 resulted in increased short-term economic uncertainty and fluctuations in currency markets. The Bank of England's response has seen interest rates rise by 100 basis points since the year end.

The Directors have prepared detailed cash flow forecasts to July 2025, covering a period of 33 months from the date of approval of these financial statements. This base case is drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. This base case assumes a return to pre-pandemic NFI in 2026. Trading has been broadly in line with the forecast since the year end.

A key assumption in preparing the cash flow forecasts is the continued availability of Group's invoice financing facility to provide liquidity throughout the forecast period. The current £60m facility has no contractual renewal date and the Directors remain confident that the facility will remain available.

The output of the base case forecasting process has been used to perform sensitivity analysis on the Group's cash flow to model the potential effects should principal risks actually occur either individually or in unison. The sensitivity analysis modelled scenarios with significantly lower NFI growth rates, significantly increased operating cost inflation and increased finance costs associated with variable rate borrowings considered. The Group has modelled the impact of a severe but plausible scenario including nil growth in contract and permanent NFI across FY23 to FY25, operating cost inflation of 5.00%-10.00% and further increases in the Bank of England's base rate to 5.00%.

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

1.4 New standards and interpretations

The following are new standards or improvements to existing standards that are mandatory for the first time in the Group's accounting period beginning on 1 August 2021 and no new standards have been early adopted. The Group's July 2022 consolidated financial statements have adopted these amendments to IFRS:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)
- Following the IFRS Interpretations Committee's agenda decision published in March 2021, during the year to 31 July 2022, the Group voluntarily changed its accounting policy relating to the capitalisation of certain software costs, specifically relating to the capitalisation of implementation costs such as configuration and customisation costs for cloud-based software under SaaS arrangements. This is further described, along with the financial impact, in Note 1.25.

With the exception of the accounting policy change described above, there have been no further alterations made to the accounting policies as a result of considering all of the other amendments above that became effective in the year, as these were either not material or were not relevant to the Group or Company.

New standards in issue, not yet adopted

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but which are only effective for the Group accounting periods beginning on or after 1 August 2022. These new pronouncements are listed as follows:

- Amendments to IAS 1 - Classification of liabilities as current or non-current (effective 1 January 2022)
- Amendments to IAS 16 - Property, plant and equipment: proceeds before intended use (effective 1 January 2022)
- Amendments to IAS 37 - Onerous contracts - cost of fulfilling a contract (effective 1 January 2022)
- Amendments to IFRS 3 - Reference to the conceptual framework (effective 1 January 2022)
- Amendments to IFRS Standards 2018-2022 - Annual improvements on IFRS 9, IFRS 16 and IFRS 1 (effective 1 January 2022)

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

Forthcoming requirements

The following amendments are required for application for the Group's periods beginning after 1 August 2022 or later:

Standard		Effective date (annual period beginning on or after)
IAS 1 and IFRS Practice Statement 2	Improve accounting policy disclosures	1 January 2023
IAS 8	Clarify distinction between accounting policies and accounting estimates	1 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

1.5 Basis of consolidation

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

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

Acquisition-related costs are expensed as incurred.

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

1.6 Revenue

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

Temporary placements

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

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

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

Permanent placements

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

Other

Other revenue streams are generated from the provision of engineering management services and other fees. Revenue from the provision of engineering management services is recognised either over a period of time (where the customer benefits from the services provided as the group performs those services) or at a point in time upon receipt of client-approved timesheets. Where the group determines revenue should be recognised over time an estimate is made of progress using an input method, by reference to the proportion of costs incurred to date compared to total expected costs for the contract. Other fees mainly relate to account management fees for providing recruitment services. Revenue from other fees is recognised following client commitment to the agreement at either a point in time or over time in accordance with terms of each individual agreement.

1.7 Government Grants

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

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

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

1.8 Non-underlying items

Non-underlying items are income or expenditure that are considered unusual and separate to underlying trading results because of their size, nature or incidence and are presented within the consolidated Income Statement but highlighted through separate disclosure. The Group's Directors consider that these items should be separately identified within the income statement to enable a proper understanding of the Group's business performance.

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

- material restructuring costs, including related professional fees and staff costs, and costs relating to disposal of discontinued business;
- costs of acquisitions;
- lease exit costs; and
- integration costs of acquisitions.

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

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

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

1.9 Property, plant and equipment

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

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

Fixtures, fittings and equipment	12.5% to 33.3%	Straight line
Leasehold improvements	Over the period of the lease term	Straight line

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

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

1.10 Goodwill

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

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

1.11 Intangible assets

Customer relationships

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

Trade names and trademarks

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

Software and software licences

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

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to existing on premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets and depreciated over a useful life of between two and ten years.

Implementation costs for cloud-based software under Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. In most cases, this will not meet the definition of an intangible asset under IAS 38. The following outlines the accounting treatment of implementation costs incurred in relation to SaaS arrangements:

Implementation costs relating to cloud-based software under SaaS arrangements are assessed as they are incurred. These would include implementation support, consultancy, configuration costs, customisation costs and testing services. If the services are provided by the cloud supplier or a third party and are considered to be distinct from the access to the software, then they are either recognised as an intangible asset under IAS 38 if they meet the relevant capitalisation criteria or, more likely, they are expensed to the income statement as incurred. If the implementation services are provided by the cloud provider but are not considered to be distinct from access to the software, which generally is the case for customisation costs for cloud-based software, then they are recognised as an expense over the period of the service contract, resulting in a prepayment asset if the services are paid for in advance.

Internally generated intangible assets

Internal development costs that are directly attributable to the design and testing of identifiable and unique non-cloud based 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 internal expenditure that does not meet these criteria is recognised as an expense to profit or loss as incurred. Software development internal costs recognised as assets are amortised on a straight-line basis over their estimated useful lives of between two and ten years.

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

Other

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

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

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

1.12 Investments

Investments in subsidiary undertakings are initially recognised at cost and subsequently carried at cost less accumulated impairment.

Investments are tested for impairment at the reporting date if events arise that indicate an impairment may be triggered. Provision is made against the carrying value of an investment where an impairment is deemed to have occurred. Impairment losses on investments are recognised in the income statement under administrative expenses.

1.13 Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement at the time of disposal.

1.14 Leases

The Group has applied IFRS 16 using the modified retrospective approach, effective from 1 August 2019. The comparative information prior to this date has not been restated and continues to be reported under IAS17 and IFRIC 14.

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

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

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

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

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

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

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

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

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

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

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

Right-of-use assets no longer utilised by the Group but for which lease liabilities still exist, for example a property exited before the end of the lease term or break clause, are fully impaired with the expense recognised in the income statement.

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

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

1.15 Taxation

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

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

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

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

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

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

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

1.16 Pension costs

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

1.17 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 Long-Term Incentive Plan Options which have exercise prices above £0.01. Grants have been made as part of a CSOP scheme, depending on the terms of specific grants.

The Group also operates a Share Incentive Plan (‘SIP’), the Gattaca plc Share Incentive Plan (‘The Plan’), which is approved by HMRC. The Plan is held by Gattaca plc UK Employee Benefit Trust (‘the EBT’), the purpose of which is to enable employees to purchase Company shares out of pre-tax salary. For each share purchased the Group grants an additional share at no cost to the employee. The expense in relation to these ‘free’ shares is recorded as employee remuneration and measured at fair value of the shares issued as at the date of grant. The assets and liabilities of the EBT are included in the Gattaca Plc Consolidated Statement of Financial Position.

1.18 Financial instruments

Financial assets

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

Financial assets: debt instruments

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

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

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

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

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

Financial assets: equity instruments

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

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

Impairment of financial assets

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

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

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

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

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

Financial liabilities

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

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

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

1.19 Cash and cash equivalents

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

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

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for wider use by the Group. These balances arise from the Group's non-recourse working capital arrangements as well as from trapped cash. Trapped cash are balances for which the Group can no longer access the accounts and hence cannot withdraw or control funds but is still the legal owner.

1.20 Provisions

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

1.21 Dividends

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

1.22 Foreign currencies

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

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

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

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

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

1.23 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, less any amounts realised and reclassified to distributable reserves. Unrealised profits held in the merger reserve become realised when a realised loss is recognised on the associated asset, or the asset is disposed of in return for qualifying consideration as defined by the Companies Act 2006. On realisation, the merger reserve can be transferred to retained earnings
- Share-based payment reserve’ represents equity-settled share-based employee remuneration until such share options are exercised or lapse
- ‘Translation reserve’ represents the foreign currency differences arising on translating foreign operations into the presentational currency of the Group
- ‘Treasury shares reserve’ represents Company shares purchased directly by the Group to satisfy obligations under the employee share plan
- ‘Retained earnings’ represents retained profits

1.24 Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgement

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, any insurance coverage in place and the current economic conditions. As a result, expected credit loss provisions for impairment of trade receivables have been recognised, as discussed in Note 17. The impact of the ongoing economic recovery from COVID-19 and other macro-economic factors have been incorporated into these estimates.

Valuation of goodwill and intangible assets

Goodwill and intangible assets (including acquired intangibles) are tested for impairment on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimate to be made of the recoverable amount of the cash-generating unit to which the assets are allocated, including forecasting future cash flows of each cash-generating unit and forming assumptions over the discount rate and long-term growth rate applied. The impact of the ongoing economic recovery from COVID-19 and other macroeconomic factors have been reflected in the forecast future cash flows. More detail of the assumptions used can be found in Note 13.

Valuation of investments

The parent company’s investments in subsidiary undertakings are tested for impairment at the reporting date if events arise that indicate an impairment may be required. This requires an estimate to be made of the recoverable amount of the investments, including forecasting future cash flows of the asset and forming assumptions over the discount rate and long term growth rate applied. The impact of the ongoing economic recovery from COVID-19 and other macroeconomic factors have been reflected in the forecast cash flows. More detail of the assumptions used can be found in Note 15.

1.25 Change in accounting policy - Software-as-a-service (‘SaaS’) arrangements

In the year to 31 July 2022, following the IFRS Interpretation Committee’s agenda decision published in March 2021, the Group changed its accounting policy relating to the capitalisation of certain software costs, specifically relating to the capitalisation of implementation costs such as configuration and customisation costs for cloud-based software under SaaS arrangements.

The Group's accounting policy was previously to capitalise costs directly attributable to the development of intangible software assets, including configuration and customisation costs, irrespective of whether the services were performed by the SaaS supplier or a third party. Following the adoption of the IFRIC agenda guidance, all software intangible assets were identified and assessed to determine if they related to cloud-based software under SaaS arrangements. The Group then assessed whether they had control over the software and any associated capitalised implementation costs. For those arrangements where the Group did not have control of the developed cloud-based software under the updated IFRIC agenda guidance, to the extent that the implementation services were performed by a third party, the Group determined if the service was separate from the underlying software service contract and if so, derecognised the intangible asset previously capitalised. Amounts paid to a supplier for customisation costs that were not separate from the underlying software service contract, were treated as a prepayment over the period of the service contract.

Accordingly, in line with the treatment prescribed in IAS 8 and IAS 1 in respect of changes in accounting policies, this change has been applied retrospectively, restating the prior period balance sheet at 1 August 2020 and 31 July 2021.

The full impact of the change in accounting policy is detailed below.

Condensed Consolidated Income Statement

For the year ended 31 July 2021

		As previously reported £'000	Adjustment £'000	As restated £'000
Continuing operations				
Gross profit		42,080	–	42,080
Administrative expenses	• other administrative expenses	(38,374)	–	(38,374)
Administrative expenses	• expense of implementation costs	–	(1,544)	(1,544)
Administrative expenses	• reversal of amortisation of software implementation costs	(422)	283	(139)
Administrative expenses	• unwinding of the prepaid software implementation costs	–	(131)	(131)
Profit before taxation		3,284	(1,392)	1,892
Net finance costs		(1,080)	–	(1,080)
Taxation		(415)	374	(41)
Profit after taxation from continuing operations		1,789	(1,018)	771
Profit/(loss) for the year		581	(1,018)	(437)

Condensed Consolidated Statement of Changes in Equity

	As previously reported £'000	Adjustment £'000	As restated £'000
Total equity at 1 August 2020	39,772	(4,738)	35,034
Profit/(loss) for the period	581	(1,018)	(437)
Balance at 31 July 2021	40,863	(5,756)	35,107

Condensed Consolidated Statement of Financial Position

	As previously reported as at 1 August 2020 £'000	Adjustment as at 1 August 2020 £'000	As restated as at 1 August 2020 £'000
Non-current assets			
Goodwill and intangible assets	12,877	(5,929)	6,948
Deferred tax assets	–	859	859
Total non-current assets	21,726	(5,070)	16,656
Current assets			
Trade and other receivables	48,862	84	48,946
Total current assets	83,684	84	83,768
Total assets	105,410	(4,986)	100,424
Non-current liabilities			
Deferred tax liabilities	(277)	248	(29)
Total non-current liabilities	(14,914)	248	(14,666)
Total liabilities	(65,638)	248	(65,390)
Net assets	39,772	(4,738)	35,034
Equity			
Retained earnings	1,711	(4,738)	(3,027)
Total equity	39,772	(4,738)	35,034

	As previously reported as at 31 July 21 £'000	Adjustment as at 31 July 21 £'000	As restated as at 31 July 21 £'000
Non-current assets			
Goodwill and intangible assets	13,778	(7,435)	6,343
Deferred tax assets	–	971	971
Total non-current assets	21,030	(6,464)	14,566
Current assets			
Trade and other receivables	63,937	198	64,135
Total current assets	94,339	198	94,537
Total assets	115,369	(6,266)	109,103
Non-current liabilities			
Deferred tax liabilities	(524)	510	(14)
Total non-current liabilities	(6,074)	510	(5,564)
Total liabilities	(74,506)	510	(73,996)
Net assets	40,863	(5,756)	35,107
Equity			
Retained earnings	2,533	(5,756)	(3,223)
Total equity	40,863	(5,756)	35,107

Condensed Consolidated Cash Flow Statement

For period ended 31 July 2021

	As previously reported £'000	Adjustment £'000	As restated £'000
Cash flows from operating activities			
Profit/(loss) after taxation	581	(1,018)	(437)
Cash used in operating activities	(2,411)	(1,789)	(4,200)
Cash flows from investing activities			
Purchase of intangible assets	(1,872)	1,789	(83)
Cash used in investing activities	(2,204)	1,789	(415)
Cash and cash equivalents at end of year	29,238	–	29,238

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 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. Previously, the Group was managed through its three reporting segments, UK Engineering, UK Technology and International. From August 2021 the Group aligned its operating model to the markets in which its clients operate. From December 2021 financial information provided to the Board was based on this new reporting and operating structure. As a result of this change, the segmental information for the year to 31 July 2022 has been presented based on the new structure in line with the requirements of IFRS 8 'Operating Segments' and the information for the year to 31 July 2021 has been restated accordingly.

Year ended 31 July 2022

All amounts in £'000	Mobility	Energy	Defence	Technology, Media and Telecoms	Infrastructure	International[3]	Other	Continuing underlying operations	Non-recurring items and amortisation of acquired intangibles	Discontinued	Total Group
Revenue	**47,766**	**40,779**	**69,811**	**41,660**	**140,422**	**7,969**	**54,939**	**403,346**	**–**	**781**	**404,127**
Gross profit	**4,571**	**3,884**	**6,720**	**4,246**	**13,561**	**2,779**	**8,379**	**44,140**	**–**	**238**	**44,378**
Operating contribution	**1,963**	**2,015**	**3,003**	**1,674**	**5,082**	**(613)**	**2,338**	**15,462**	**–**	**(440)**	**15,022**
Depreciation, impairment, and amortisation	**(74)**	**(63)**	**(108)**	**(64)**	**(217)**	**(12)**	**(86)**	**(624)**	**(5,051)**	**(31)**	**(5,706)**
Central overheads	**(1,128)**	**(774)**	**(2,753)**	**(992)**	**(4,418)**	**(1,609)**	**(2,659)**	**(14,333)**	**(558)**	**(100)**	**(14,991)**
Profit/(loss) from operations	**761**	**1,178**	**142**	**618**	**447**	**(2,234)**	**(407)**	**505**	**(5,609)**	**(571)**	**(5,675)**
Finance (costs)/income, net								**(249)**	**566**	**218**	**535**
Profit/(loss) before tax								**256**	**(5,043)**	**(353)**	**(5,140)**

Year ended 31 July 2021 Restated[1,2]

All amounts in £'000	Mobility	Energy	Defence	Technology, Media and Telecoms	Infrastructure	International[3]	Other	Continuing underlying operations	Non-recurring items and amortisation of acquired intangibles	Discontinued	Total Group
Revenue	43,251	48,854	67,680	42,319	146,286	9,816	57,520	415,726	–	3,432	419,158
Gross profit	3,141	3,916	5,858	3,735	14,182	3,528	7,720	42,080	–	1,047	43,127
Operating contribution	1,263	2,231	3,227	1,368	7,707	(483)	3,164	18,477	–	(213)	18,264
Depreciation, impairment, and amortisation	(388)	(438)	(607)	(380)	(1,311)	(88)	(516)	(3,728)	(548)	(244)	(4,520)
Central overheads	(1,021)	(707)	(2,301)	(835)	(4,041)	(1,352)	(2,245)	(12,502)	193	(693)	(13,002)
Profit/(loss) from operations	(146)	1,086	319	153	2,355	(1,923)	403	2,247	(355)	(1,150)	742
Finance costs								(412)	(668)	(73)	(1,153)
Profit/(loss) before tax								1,835	(1,023)	(1,223)	(411)

1 Segmental disclosures for the year to 31 July 2021 have been restated as a result of the change in operating model structure.

2 Comparatives are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

3 International revenue and gross profit is generated from the location of the commission earning sales consultant, as opposed to the domicile of the respective subsidiary by which they are employed.

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 2022	Total Group revenue 2021	Non-current assets 2022	Non-current assets Restated[1] 2021
UK	**390,861**	402,254	**6,726**	13,740
Rest of Europe	**662**	2,316	**1**	–
Middle East and Africa	**781**	1,685	**59**	551
Americas	**11,823**	12,903	**314**	275
Total	**404,127**	419,158	**7,100**	14,566

1 Comparatives are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

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

2022	Mobility £'000	Energy £'000	Defence £'000	Technology, Media and Telecoms £'000	Infrastructure £'000	International £'000	Other £'000	Continuing underlying operations £'000
Temporary placements	**46,249**	**40,612**	**67,652**	**40,493**	**138,027**	**5,863**	**48,728**	**387,624**
Permanent placements	**1,483**	**158**	**1,909**	**1,115**	**2,363**	**2,106**	**3,652**	**12,786**
Other	**34**	**9**	**250**	**52**	**32**	**-**	**2,559**	**2,936**
Total	**47,766**	**40,779**	**69,811**	**41,660**	**140,422**	**7,969**	**54,939**	**403,346**

2021 Restated[1]	Mobility £'000	Energy £'000	Defence £'000	Technology, Media and Telecoms £'000	Infrastructure £'000	International £'000	Other £'000	Continuing underlying operations £'000
Temporary placements	42,326	48,559	65,581	41,376	144,298	7,575	52,430	402,145
Permanent placements	903	259	2,050	922	1,883	2,240	2,557	10,814
Other	22	36	49	21	105	1	2,533	2,767
Total	43,251	48,854	67,680	42,319	146,286	9,816	57,520	415,726

1 As explained in Note 2, reported operating segments have changed at 31 July 2022 as a result of a change in internal operating structure; consequently, all prior period information has been restated on the new basis.

Timing of revenue recognition – continuing operations

2022	Mobility £'000	Energy £'000	Defence £'000	Technology, Media and Telecoms £'000	Infrastructure £'000	International £'000	Other £'000	Continuing underlying operations £'000
Point in time	**47,766**	**40,779**	**69,811**	**41,660**	**140,422**	**7,969**	**52,436**	**400,843**
Over time	**–**	**–**	**–**	**–**	**–**	**–**	**2,503**	**2,503**
Total	**47,766**	**40,779**	**69,811**	**41,660**	**140,422**	**7,969**	**54,939**	**403,346**

2021 Restated[1]	Mobility £'000	Energy £'000	Defence £'000	Technology, Media and Telecoms £'000	Infrastructure £'000	International £'000	Other £'000	Continuing underlying operations £'000
Point in time	43,251	48,854	67,680	42,319	146,286	9,816	55,022	413,228
Over time	–	–	–	–	–	–	2,498	2,498
Total	43,251	48,854	67,680	42,319	146,286	9,816	57,520	415,726

1 As explained in Note 2, reported operating segments have changed at 31 July 2022 as a result of a change in internal operating structure; consequently, all prior period information has been restated on the new basis.

No single customer contributed more than 10% of the Group's revenues (2021: none). Revenue recognised over time is recognised based on costs incurred to date as a proportion of total forecast costs.

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

	31 July 2022 £'000	31 July 2021 £'000
Trade receivables (Note 17)	**36,367**	34,187
Accrued income (Note 17)	**15,327**	26,742
Deferred income	**(330)**	(880)

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

4 Profit from Total Operations

	2022 £'000	2021 £'000
Profit from total operations is stated after charging:		
Depreciation of property, plant and equipment (Note 14)	**570**	213
Depreciation of right-of-use leased assets (Note 22)	**1,552**	1,875
Amortisation of acquired intangibles (Note 13)	**420**	548
Amortisation of software and software licences (Note 13)	**88**	139
Impairment of property, plant and equipment (Note 14)	**–**	18
Impairment of goodwill and acquired intangibles (Note 13)	**3,780**	–
Impairment of right-of-use leased assets (Note 22)	**852**	183
Loss on disposal of property, plant and equipment	**33**	8
Loss on disposal of software and software licences	**12**	–
Plant and machinery costs for leases out-of-scope of IFRS 16	**17**	14
Non-recourse working capital facility bank charges	**323**	287
Share-based payment charges	**114**	271

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

The aggregate auditors remuneration was as follows:

	2022 £'000	2021 £'000
Fees payable for the audit of the parent company financial statements	**11**	10
Fees payable for the audit of the subsidiary company financial statements	**345**	344
Total auditors remuneration	**356**	354
Non-audit services:		
• Taxation	**–**	–
• Other services pursuant to legislation	**–**	–
Total non-audit services	**–**	–

Non-underlying items included within administrative expenses were as follows:

	2022 £'000	2021 £'000
Continuing operations		
Restructuring costs[1]	**405**	(284)
Costs associated with exiting properties[2]	**153**	91
Impairment of goodwill, acquired intangibles and right-of-use leased assets[3]	**4,632**	–
Non-underlying items included in profit from continuing operations	**5,190**	(193)
Discontinuing operations		
Advisory fees[4]	**33**	29
Cost relating to discontinuation of group undertakings[5]	**5**	664
Costs associated with properties previously exited[6]	**57**	–
Non-underlying items included in profit from discontinued operations	**95**	693
Total non-underlying items	**5,285**	500

1 Restructuring cost of £405,000 (2021: £nil) were recognised in 2022 as a result of changes in the Board and Senior Leadership Team. A gain of £nil (2021: £284,000) was recognised in 2022 as a result of releasing unutilised provision for employee related expenses and professional fees.

2 Costs of £153,000 (2021: £91,000) have been recognised in relation to the exit of a number of UK office buildings that are no longer in use by the business.

3 Impairment losses have been recognised in 2022 with respect to the "Infrastructure - RSL Rail" CGU, as discussed in further detail in Note 13.

4 Legal fees incurred in 2022 and 2021 relate to the Group's co-operation with certain voluntary enquiries from the US Department of Justice, as discussed in further detail in Note 28.

5 Ongoing costs relating to closure of entities affected by the closure of the contract Telecoms Infrastructure business as well as the Group's operations in Mexico and South Africa in 2021, including staff termination costs and impairment of certain working capital balances.

6 Costs of £57,000 (2021: £nil) have been recognised in relation to final closure costs for UK property previously exited and no longer used by the business.

5 Particulars of Employees

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

Total operations	2022 No.	2021 No.
Sales	**381**	345

Administration	**146**	131
Directors	**7**	7
Total	**534**	483

UK employees are directly contracted with the ultimate parent company, Gattaca plc, and staff costs are paid by the Matchtech Group (UK) Limited, then recharged to fellow UK subsidiaries.

The aggregate payroll costs of the above were:

Total operations	2022 £'000	2021 £'000
Wages and salaries	**26,215**	24,269
Social security costs	**3,166**	2,830
Other pension costs	**911**	791
Share-based payments	**114**	271
Total	**30,406**	28,161

Amounts due to defined contribution pension providers at 31 July 2022 were £149,000 (2021: £138,000).

Disclosure of the remuneration of Group's key management personnel, as required by IAS 24, is detailed below:

Total operations	2022 £'000	2021 £'000
Short-term employee benefits	**2,009**	1,738
Contributions to defined contribution pension schemes	**133**	123
Share-based payments	**34**	106
Total	**2,176**	1,967

6 Finance Income

Continuing operations	2022 £'000	2021 £'000
Interest income	**4**	56
Net gains on foreign currency translation	**566**	-
Total	**570**	56

7 Finance Costs

Total operations	2022 £'000	2021 £'000
Bank interest expense	**138**	124
Interest expense on lease liabilities	**115**	148
Amortisation of capitalised finance costs	**–**	196
Net losses on foreign currency translation	**–**	668
Total	**253**	1,136

8 Government Grants

Grant income recognised from government grants recognised in cost of sales and administrative expenses are as follows:

Continuing operations	2022 £'000	2021 £'000
UK Government Coronavirus Job Retention Scheme grant income recognised in cost of sales for temporary workers	**–**	43
UK Government Coronavirus Job Retention Scheme grant income recognised in administrative expenses for employees	**–**	458
Total	**–**	501

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

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

9 Parent Company Profit/(Loss)

	2022 £'000	2021 £'000
The amount of profit/(loss) generated by the parent company was:	**296**	(866)

10 Taxation

Analysis of charge in the year	Continuing 2022 £'000	Discontinued 2022 £'000	Restated[1] Continuing 2021 £'000	Discontinued 2021 £'000
Current tax:				
UK corporation tax	**(654)**	**(33)**	748	(48)
Overseas corporation tax	**26**	**26**	(134)	40
Adjustments in respect of prior years	**(138)**	**–**	(511)	–
Current tax (credit)/charge	**(766)**	**(7)**	103	(8)

Deferred tax (Note 16):				
Origination and reversal of temporary differences	**446**	**–**	(323)	(5)
Adjustments in respect of prior years	**(56)**	**–**	290	(2)
Changes in tax rate	**(84)**	**–**	(29)	–
Deferred tax charge/(credit)	**306**	**–**	(62)	(7)
Income tax charge/(credit) for the year	**(460)**	**(7)**	41	(15)

UK corporation tax has been charged at 19% (2021: 19%).

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

	Continuing 2022 £'000	Discontinued 2022 £'000	Restated[1] Continuing 2021 £'000	Discontinued 2021 £'000
(Loss)/profit before tax	**(4,787)**	**(353)**	812	(1,223)
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**(909)**	**(67)**	154	(232)
Expenses not deductible for tax purposes	**15**	**(11)**	139	172
Effect of goodwill impairment loss	**502**	**–**	–	–
Effect of share-based payments	**60**	**–**	(19)	–
Irrecoverable withholding tax	**3**	**–**	56	–
Overseas losses not recognised as deferred tax assets	**156**	**47**	46	163
Difference between UK and overseas tax rates	**(9)**	**24**	(85)	(116)
Adjustment to tax charge in respect of prior years	**(194)**	**–**	(221)	(2)
Changes in tax rate	**(84)**	**–**	(29)	–
Total taxation (credit)/charge for the year	**(460)**	**(7)**	41	(15)

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

Tax charge/(credit) recognised in equity:

	2022 £'000	2021 £'000
Deferred tax charge/(credit) recognised directly in equity	**60**	(65)
Total tax charge/(credit) recognised directly in equity	**60**	(65)

Reconciliation of statutory continuing tax charge to continuing underlying tax charge:

	2022 £'000	Restated[1] 2021 £'000
Income tax expense	**(460)**	41
Impairment and amortisation of acquired intangibles	**517**	43
Non-underlying items	**106**	(37)
Foreign currency exchanges differences	**(9)**	85
Underlying income tax expense	**154**	132

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

Future tax rate changes

At the balance sheet date, the main UK corporation tax rate of 19% was anticipated to increase to 25% from 1 April 2023. 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.

Recent announcements by the UK government have called into question whether the main rate of corporation tax will increase to 25% or will remain at 19%. If UK deferred tax assets and liabilities had been measured at 19% at 31 July 2022, the impact would have been to reduce the deferred tax asset by £75,000.

11 Discontinued Operations

2022

On 14 December 2021, the Group completed the sale of its South African recruitment operations as part of the management buy-out agreement announced in July 2021. The net loss of £82,000 arising on the disposal of the South African recruitment operations has been recognised in non-underlying costs as part of costs relating to discontinuation of group undertakings. Deferred consideration of £134,000 receivable under the sale agreement was due at the reporting date and is included in other receivables at 31 July 2022.

Losses from discontinued operations during the year include ongoing closure costs in connection with the Group's Asian and Mexican operations, in addition to trading results from the Group's South African recruitment business up until date of disposal.

2021

On 30 July 2021, the Group announced the decision to close its Mexico operations. In addition, the Group also announced a management buy-out agreement of the South Africa recruitment operations which was expected to complete within one year of 31 July 2021. The Fulfilment, Solutions and Group Support functions of the South African operations was retained and transferred to a new South African entity. As a result, the Group reclassified its entire Mexican and South African recruitment operations as discontinued in the consolidated financial statements for the year ended 31 July 2021.

Financial performance and cash flow information

	2022 £'000	2021 £'000
Revenue	**781**	3,432
Cost of sales	**(543)**	(2,385)
Gross profit	**238**	1,047
Administrative expenses[1]	**(809)**	(2,197)
Loss from operations	**(571)**	(1,150)
Finance income	**–**	39
Finance costs	**–**	(112)
Exchange gain	**218**	–
Loss before taxation	**(353)**	(1,223)
Taxation	**7**	15
Loss for the year after taxation from discontinued operations	**(346)**	(1,208)
Exchange differences on translation of discontinued operations	**(231)**	48
Other comprehensive loss from discontinued operations	**(577)**	(1,160)

1 Included in administrative expenses are £95,000 (2021: £693,000) of non-underlying items, as detailed in Note 4. In addition, it includes net impairment costs on trade receivables from discontinued operations of £nil (2021: release of £80,000).

The following assets and liabilities were reclassified as held for sale in relation to the discontinued South African recruitment operations as at 31 July 2021:

Assets classified as held for sale	2021 £'000
Software licenses	1
Property, plant and equipment	7
Right-of-use assets	29
Investments	19
Deferred tax assets	9
Trade and other receivables	171
Cash and cash equivalents	110
Total assets of disposal group held for sale	346

Liabilities directly associated with assets classified as held for sale	2021 £'000
Trade and other payables	(136)
Provisions	(46)
Current tax liabilities	(27)
Lease liabilities	(14)
Total liabilities of disposal group held for sale	(223)

	2022 £'000	2021 £'000

Net cash outflow from operating activities	**(650)**	(1,348)
Net cash outflow from investing activities	**–**	(32)
Net cash outflow from financing activities	**(92)**	(139)
Effect of exchange rates on cash and cash equivalents	**–**	(15)
Net decrease in cash generated by discontinued operations	**(742)**	(1,534)

No balances were classified as held for sale as at 31 July 2022.

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 period.

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

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

The effect of potential ordinary shares are reflected in diluted EPS only when they are dilutive. Potential ordinary shares are considered dilutive when their inclusion in the calculation would decrease EPS, or increase the loss per share from continuing operations in accordance with IAS 33. This is regardless of whether the potential ordinary shares are dilutive for EPS from total operations. Where the effect of potential ordinary shares are considered to be dilutive they have been included in the calculation below.

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

The earnings per share information has been calculated as follows:

	2022 £'000	Restated[1] 2021 £'000
Total loss attributable to ordinary shareholders	**(4,673)**	(437)

Number of shares	2022 '000	2021 '000
Basic weighted average number of ordinary shares in issue	**32,290**	32,290
Dilutive potential ordinary shares	**210**	68
Diluted weighted average number of shares	**32,500**	32,358

Total earnings per share		2022 pence	Restated[1] 2021 pence
Loss per ordinary share	Basic	**(14.5)**	(1.4)
	Diluted	**(14.5)**	(1.4)

Earnings from continuing operations	2022 £'000	Restated[1] 2021 £'000
Total (loss)/profit for the year	**(4,237)**	771

Total earnings per share for continuing operations		2022 pence	Restated[1] 2021 pence
(Loss)/earnings per ordinary share from continuing operations	Basic	**(13.4)**	2.4
	Diluted	**(13.4)**	2.4

Earnings from discontinuing operations	2022 '000	2021 '000
Total loss for the year	**(346)**	(1,208)

Total earnings per share for discontinuing operations		2022 pence	2021 pence
Loss per ordinary share from discontinuing operations	Basic	**(1.1)**	(3.7)
	Diluted	**(1.1)**	(3.7)

Earnings from continuing underlying operations	2022 £'000	Restated[1] 2021 £'000
Total profit for the year	**102**	1,703

Total earnings per share		2022 pence	Restated[1] 2021 pence
Earnings per ordinary share from continuing underlying operations	Basic	**0.3**	5.3
	Diluted	**0.3**	5.3

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

13 Goodwill and Intangible Assets

In the 12 months to 31 July 2022, following the IFRS Interpretation Committee's agenda decision published in March 2021, the Group changed its accounting policy relating to the capitalisation of certain software costs, specifically relating to the capitalisation of implementation costs such as configuration and customisation costs for cloud-based software under Software-as-a-service (SaaS) arrangements. Please refer to Note 1.25 for more details. The change of the accounting policy has resulted in either a reclassification of certain cloud-based software intangible assets to a prepaid asset in the Statement of Financial Position or recognition of the expenditure as an expense in the Income Statement, impacting both the current and prior periods presented.

		Goodwill £'000	Customer relationships £'000	Trade names £'000	Other £'000	Software and software licences £'000	Total £'000
Cost	At 1 August 2020	28,739	22,245	5,346	3,809	8,573	68,712
	Effect of change in accounting policy	–	–	–	–	(6,052)	(6,052)
	At 1 August 2020 (restated)	28,739	22,245	5,346	3,809	2,521	62,660
	Additions	–	–	–	–	1,872	1,872
	Reclassification to assets held for sale	–	–	–	–	(2)	(2)
	Reclassification to prepayments as a result of change of accounting policy	–	–	–	–	(245)	(245)
	Written off to Income Statement as a result of change of accounting policy	–	–	–	–	(1,544)	(1,544)
	At 31 July 2021	28,739	22,245	5,346	3,809	2,602	62,741
	Additions	**–**	**–**	**–**	**–**	**29**	**29**
	Disposals	**–**	**–**	**–**	**–**	**(70)**	**(70)**
	At 31 July 2022	**28,739**	**22,245**	**5,346**	**3,809**	**2,561**	**62,700**
Amortisation and impairment	At 1 August 2020	24,382	20,530	5,057	3,527	2,339	55,835
	Effect of change in accounting policy	–	–	–	–	(123)	(123)
	At 1 August 2020 (restated)	24,382	20,530	5,057	3,527	2,216	55,712
	Amortisation for the period	–	332	45	171	422	970
	Reclassification to assets held for sale	–	–	–	–	(1)	(1)
	Reclassification to prepayments as a result of change of accounting policy	–	–	–	–	(19)	(19)
	Written off to Income Statement as a result of change of accounting policy	–	–	–	–	(264)	(264)
	At 31 July 2021	24,382	20,862	5,102	3,698	2,354	56,398
	Amortisation for the period	**–**	**269**	**43**	**108**	**88**	**508**
	Impairment	**2,645**	**946**	**189**	**–**	**–**	**3,780**
	Released on disposal	**–**	**–**	**–**	**–**	**(58)**	**(58)**
	At 31 July 2022	**27,027**	**22,077**	**5,334**	**3,806**	**2,384**	**60,628**
Net book value	At 31 July 2021	4,357	1,383	244	111	248	6,343
	At 31 July 2022	**1,712**	**168**	**12**	**3**	**177**	**2,072**

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

	2022 £'000	2021 £'000
Energy (previously UK Engineering)	**1,712**	1,712
Infrastructure – RSL Rail (previously Resourcing Solutions Limited)	**–**	2,645
Total	**1,712**	4,357

As part of the operational restructure disclosed in Note 2, the Cash Generating Units (CGUs) to which goodwill and intangible assets have previously been allocated to have been amended as follows: UK Engineering to Energy which is a reportable segment, and Resourcing Solutions to Infrastructure – RSL Rail, a sub-division of the reportable operating segment Infrastructure for which distinct financial information is available but not used by the Chief Operating Decision Maker (CODM). These changes best represent the original business units that the assets were allocated to, ensuring that the cashflows that form the FY22 VIU valuations of the CGUs are aligned to previous year's impairment assessments.

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 recoverable amount of the CGU, including goodwill, intangible assets and right-of-use assets, is determined using value-in-use calculations.

As a result of management's trading forecasts now being lower that those at time of acquisition, impairment losses of £2,645,000 and £1,135,000 (year to 31 July 2021: £nil) have been recorded in respect of goodwill, acquired intangible assets respectively within the Infrastructure – RSL Rail CGU, fully impairing all remaining goodwill and intangible assets to a carrying value of £nil. Impairment losses of £852,000 (year to 31 July 2021: £nil) have also been recorded in respect of the right-of-use asset associated with the lease of the UK property occupied by the RSL sales team and several motor vehicles, which is included in the assets of the CGU. Please refer to Note 22 for more details.

After suffering the same widespread downturn in trading activity as the majority of the UK economy during the 2020 COVID-19 pandemic, management had aligned the FY21 internal forecasts of the Infrastructure – RSL Rail CGU to the externally projected post-COVID economic trajectory of the UK construction and transportation sectors and whilst the models indicated sensitvity, factors pointed towards slow but steady post-pandemic recovery. However, throughout FY22, as a result of the ongoing challenges of the UK rail industry combined with the sustained post-pandemic loss of a substantial number of legacy temporary workers with some of the UK rail industry's core customers, management undertook a substantial review of the long-term expectations of the sector and reduced the long-term growth forecasts further in FY22 resulting in a material reduction to the VIU terminal value which could not sustain the CGU's asset base.

Goodwill and acquired intangibles within the Energy CGU relate to the Networkers acquisition. At 31 July 2022, the recoverable amount of the infrastructure - RSL Rail CGU was £nil.

The key assumptions and estimates used when calculating a CGU's value-in-use, are as follows:

Cash flows from operations

Cash flows from operations are based on the Group's 3 year business plan, starting with the FY2023 budget and applying the over-arching Group NFI and cost growth rates in FY2026 and FY2027 for the Energy and Infrastructure – RSL Rail sectors. The Group prepares cash flow forecasts 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 ranged from 13.9% to 14.4% (year to 31 July 2021: 15.0% to 16.0%) reflecting the Group's weighted average cost of capital, adjusted for specific risks associated with the asset's estimated cash flows. The nominal 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 13.8% (year to 31 July 2021: 12.5%) for CGUs assessed.

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% (year to 31 July 2021: 2.0%), using a weighted average of operating country real growth expectations.

Impairment expenses	Goodwill 2022 £'000	Intangible assets 2022 £'000	Total 2022 £'000	Goodwill 2021 £'000	Intangible assets 2021 £'000	Total 2021 £'000
Energy (previously UK Engineering)	**–**	**–**	**–**	–	–	–
Infrastructure – RSL Rail (previously Resourcing Solutions Limited)	**2,645**	**1,135**	**3,780**	–	–	–
Total	**2,645**	**1,135**	**3,780**	–	–	–

Sensitivity analysis has been performed to show the impact of reasonable or possible changes in key assumptions. An increase in the post-tax discount rate by a factor of 5% to 14.5%, or a reduction in the long-term growth rate to 1.8%, would not trigger a further material impairment for the Energy CGU. A reduction of 25% in management's mid-term gross profit forecasts for FY24-FY27 would not trigger any material impairment.

Company

		Trade names £'000
Cost	At 1 August 2020	20
	Additions	–
	At 31 July 2021	20
	Additions	**–**
	At 31 July 2022	**20**
Amortisation and impairment	At 1 August 2020	4
	Amortisation for the year	3

	Impairment	–
	At 31 July 2021	7
	Amortisation for the year	**2**
	Impairment	**–**
	At 31 July 2022	**9**
Net book value	At 31 July 2021	13
	At 31 July 2022	**11**

14 Property, Plant and Equipment

Group		Motor vehicles £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost	At 1 August 2020	(16)	3,055	4,721	7,760
	Additions	–	–	332	332
	Disposals	16	(25)	–	(9)
	Impairment	–	(29)	(92)	(121)
	Reclassification to assets held for sale	–	–	(13)	(13)
	At 31 July 2021	–	3,001	4,948	7,949
	Additions	**–**	**–**	**370**	**370**
	Disposals	**–**	**(41)**	**(586)**	**(627)**
	Effects of movements in exchange rates	**–**	**26**	**10**	**36**
	At 31 July 2022	**–**	**2,986**	**4,742**	**7,728**
Depreciation and impairment	At 1 August 2020	(16)	1,867	4,417	6,268
	Charge for the year	–	58	155	213
	Released on disposal	16	(17)	–	(1)
	Impairment	–	(29)	(74)	(103)
	Reclassification to assets held for sale	–	–	(6)	(6)
	At 31 July 2021	–	1,879	4,492	6,371
	Charge for the year	**–**	**–**	**570**	**570**
	Released on disposal	**–**	**(41)**	**(553)**	**(594)**
	Effects of movements in exchange rates	**–**	**18**	**4**	**22**
	At 31 July 2022	**–**	**1,856**	**4,513**	**6,369**
Net book value	At 31 July 2021	–	1,122	456	1,578
	At 31 July 2022	–	**1,130**	**229**	**1,359**

Impairment charges during the prior year relate to the closure of the Mexican operations as disclosed in Note 11.

There were no capital commitments as at 31 July 2022 or 31 July 2021.

15 Investments in Subsidiary Undertakings

	Group		Company	
Cost and carrying value:	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Balance at 1 August	**–**	19	**38,463**	8,520
Capital contributions to subsidiaries	**–**	–	**145**	29,943
Reclassifications to assets held for sale	**–**	(19)	**–**	–
Balance at 31 July	**–**	–	**38,608**	38,463

The movement in investments in the parent Company in the prior year represents capitalisation of intercompany receivables due from Matchtech Group (Holdings) Limited in return for an issue of shares in Matchtech Group (Holdings) Limited as well as capital contributions made in Matchtech Group (UK) Limited relating to share-based payments.

The movement in investments held by the Group in the prior year related to the reclassification of the Sakha Sonke Private Equity Fund and its associated investment asset to held-for-sale following the announcement of the expected sale of the South African recruitment operations on 30 July 2021. As noted below, the sale of the South African operations was completed in the 2022 year.

Impairment testing

The Directors have assessed that the reduction in the Group's market capitalisation during the year is an indicator of impairment of the Parent Company's investments in subsidiary undertakings and as a result have performed a year end impairment review in accordance with IAS 36.

The recoverable amount of investments in subsidiaries has been determined based on value-in-use calculations, which require the use of estimates. Discounted cash flows from operations have been prepared based on the Group's board approved 3 year business plan, starting with the FY2023 budget and applying over-arching NFI and cost growth rates in FY2026 and FY2027. A pre-tax discount rate of 13.8% has been used, reflecting the Group's post-tax weighted average cost of capital, adjusted for specific risks associated with the asset's estimated cash flows. Medium-term growth rates modelled are based on management forecasts, reflecting past experience and the economic environment. Long-term growth rates, based on external sources of information, are an average estimated growth rate of 2.0%.

The calculated value-in-use results in a material excess of the recoverable amount above the asset's carrying amount. The Directors consider that there is no combination of reasonably plausible changes in key assumptions which would result in a material change to the outcome of the impairment assessment and have concluded that the Parent Company's investments in subsidiaries is not impaired.

The subsidiary undertakings at the year end are as follows:

	Registered Office Note	Country of Incorporation	Share Class	% Held 2022	% Held 2021	Main Activities
Alderwood Education Ltd[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Barclay Meade Ltd[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
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
Comms Software Limited[4]	1	United Kingdom	Ordinary	0%	100%	Non-trading
Comms Resources Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Connectus Technology Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Elite Computer Staff Ltd	1	United Kingdom	Ordinary	100%	100%	Non-trading
Gattaca Projects Limited (formerly Application Services Limited)[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Gattaca Recruitment Limited	1	United Kingdom	Ordinary	100%	100%	Non-trading
Gattaca Solutions Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Matchtech Engineering Limited	1	United Kingdom	Ordinary	100%	100%	Non-trading
Matchtech Group (Holdings) Limited[1]	1	United Kingdom	Ordinary	99.7%	99.7%	Holding
Matchtech Group (UK) Limited[1]	1	United Kingdom	Ordinary	99.998%	99.998%	Provision of recruitment consultancy
Matchtech Group Management Company Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non-trading
Matchtech Limited[4]	1	United Kingdom	Ordinary	0%	100%	Non-trading
MSB Consulting Services Limited[4]	1	United Kingdom	Ordinary	0%	100%	Non-trading
Networkers International (UK) Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International Limited[1]	1	United Kingdom	Ordinary	100%	100%	Holding
Networkers International Trustees[2]	1	United Kingdom	Ordinary	100%	100%	Non-trading
Networkers Recruitment Services Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non-trading
Provanis Limited[4]	1	United Kingdom	Ordinary	0%	100%	Non-trading
Resourcing Solutions Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
The Comms Group Limited[1]	1	United Kingdom	Ordinary	100%	100%	Holding
Gattaca GMBH	2	Germany	Ordinary	100%	100%	Provision of recruitment consultancy
MSB International GMBH	12	Germany	Ordinary	100%	100%	Non-trading
Gattaca BV	3	Netherlands	Ordinary	100%	100%	Provision of recruitment consultancy
Cappo Inc.	5	United States	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers Inc.	5	United States	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International LLC	5	United States	Ordinary	100%	100%	Non-trading
Networkers International (Canada) Inc.	11	Canada	Ordinary	100%	100%	Provision of recruitment consultancy
Gattaca Mexico Services, S.A. de C.V	6	Mexico	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
Kithara Investments Proprietary Limited[4]	8	South Africa	Ordinary	0%	100%	Holding
Kula Nathi Investments Proprietary Limited[4]	7	South Africa	Ordinary	0%	100%	Holding
Networkers International Proprietary Limited[4]	7	South Africa	Ordinary	0%	100%	Provision of recruitment consultancy

	Registered Office Note	Country of Incorporation	Share Class	% Held 2022	% Held 2021	Main Activities
Networkers International South Africa Proprietary Limited[4]	7	South Africa	Ordinary	0%	100%	Provision of recruitment consultancy
Gattaca Services South Africa	7	South Africa	Ordinary	100%	0%	Provision of recruitment consultancy
Networkers International (China) Co. Limited	9	China	Ordinary	100%	100%	Provision of recruitment consultancy
Comms Resources SDN. BHD	10	Malaysia	Ordinary	100%	100%	Non-trading
Networkers International (Malaysia) Sdn Bhd	10	Malaysia	Ordinary	100%	100%	Non-trading
Cappo Qatar LLC	14	Qatar	Ordinary	49%	49%	Non-trading
Networkers Consultancy (Singapore) PTE. Limited	13	Singapore	Ordinary	100%	100%	Non-trading
Gattaca Information Technology Services SLU	15	Spain	Ordinary	100%	100%	Provision of recruitment consultancy
Gattaca Recruitment ETT, SLU	15	Spain	Ordinary	100%	100%	Non-trading
Networkers International (India) PTE[4]	16	India	Ordinary	0%	100%	Non-trading

1 For the year ended 31 July 2022, Gattaca plc has provided a legal guarantee dated 2 November 2022 under s479a-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 Gattaca plc has 100% of the beneficial interest in these entities, and consolidates them as wholly owned subsidiaries in line with IFRS 10.

4 These companies were disposed of, or liquidated in the year, with the shareholding remaining the same as per the year ended 31 July 2021 up to the date of disposal or liquidation.

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

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

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

During the 2021 year, Gattaca plc set up a branch for a new Employee Benefit Trust ('the EBT') and appointed Apex Financial Services Limited as the Trustee and the administrator to this new EBT. The Company and Group has control over the new EBT and therefore it has been consolidated in the Group and Company's results.

Registered office addresses	
1	1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AF, United Kingdom
2	c/o Grant Thornton, Jahnstrasse 6, 70597, Stuttgart, Germany
3	Herengracht 124–128, 1015 BT Amsterdam, Netherlands
4	33 SW Flager Avenue, Stuart, Florida, USA
5	6400 International Parkway, Suite 1510, Plano TX 75093, USA
6	Avenida Paseo de la Reforma No. 296 Piso 15 Oficina A, Colonia Juárez, Delegación Cuauhtémoc, Código Postal 06600. Ciudad de México, Mexico
7	201 Heritage House, 20 Dreyer Street, Claremont, 7735, South Africa
8	6th Floor, 119 Hertzog Boulevard, Foreshre, Cape Town, 8001, South Africa
9	B-2701, Di San Zhi Ye Building, No. A1 Shuguang Xili, Chao Yang District, Beijing, China
10	Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia
11	1 Richmond Street West, Suite 902, Toronto, Ontario, M5H 3W4, Canada
12	Franlinstr. 48, 60456, Frankfurt, Germany
13	371 Beach Road, #15-09 Keypoint, Singapore 199597
14	Suite #204, Office #40 Al Rawabi Street, Muntazah, Doha, State of Qatar. PO Box 8306
15	Calle General, Moscardo 6. Espaco Office, Madrid 28020, Spain
16	3rd Floor, 301 DLF City Court Sikandarpur, Gurgaon-122002 Harayana, India

16 Deferred Tax

2022 Group	Asset £'000	Liability £'000	Net £'000	Credited/ (charged) to profit £'000	Credited to equity £'000	Disposal of subsidiaries £'000	Foreign exchange £'000
Share-based payments	**43**	**–**	**43**	**(41)**	**(60)**	**–**	**–**
Accelerated capital allowances	**22**	**(4)**	**18**	**53**	**–**	**–**	**–**

Internally generated intangibles	**–**	**–**	**–**	**(1,050)**	**–**	**–**	**–**
Acquired intangibles	**–**	**(18)**	**(18)**	**351**	**–**	**–**	**–**
Tax losses	**427**	**–**	**427**	**427**	**–**	**–**	**–**
Other temporary and deductible differences	**109**	**–**	**109**	**(46)**	**–**	**(16)**	**(3)**
Gross deferred tax assets/(liabilities)	**601**	**(22)**	**579**	**(306)**	**(60)**	**(16)**	**(3)**
Amounts available for offset	**3**	**(3)**	**–**				
Net deferred tax assets/(liabilities)	**604**	**(25)**	**579**				

2021 Restated[1] Group	Asset £'000	Liabilit £'000	Net £'000	Credited/ (charged) to profit £'000	Credited to equity £'000	Foreign exchange £'000	Impact of restatement[1] £'000
Share-based payments	146	–	146	60	65	–	–
Accelerated capital allowances	–	(35)	(35)	(265)	–	–	336
Internally generated intangibles	1,050	–	1,050	279	–	–	771
Acquired intangibles	–	(369)	(369)	45	–	–	–
Other temporary and deductible differences	174	–	174	(50)	–	2	–
Gross deferred tax assets/(liabilities)	1,370	(404)	966	69	65	2	1,107
Amounts available for offset	(390)	390	–				
Reclassification to assets held for sale	(9)	–	(9)				
Net deferred tax assets/(liabilities)	971	(14)	957				

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

The movement on the net deferred tax is shown below:

	Group 2022 £'000	Group Restated 2021[1] £'000
At 1 August	**(524)**	(277)
Impact of restatement[1]	**1,481**	1,107
At 1 August, as restated	**957**	830
Recognised in income (Note 10)	**(306)**	(69)
Recognised in equity	**(60)**	65
Disposal of subsidiaries	**(16)**	–
Foreign exchange	**(5)**	2
Reclassification to assets held for sale	**9**	(9)
At end of year	**579**	957

	2022 £'000	Restated 2021[1] £'000
Deferred tax assets reversing within 1 year	**469**	1,298
Deferred tax liabilities reversing within 1 year	**(15)**	(107)
Reclassification of deferred tax assets reversing within 1 year to assets held for sale	**–**	(9)
At end of year	**454**	1,182

	2022 £'000	Restated 2021[1] £'000
Deferred tax assets reversing after 1 year	**132**	72
Deferred tax liabilities reversing after 1 year	**(7)**	(297)
At end of year	**125**	(225)

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

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. Recent announcements by the UK government have called into question whether the main rate of corporation tax will increase to 25% or will remain at 19% from 1 April 2023. Since these changes were not substantively enacted as at the balance sheet date, deferred tax has been valued based on the original tax rate rises, based on when the deferred tax is expected to reverse.

Unrecognised deferred tax assets

	Group 2022 £'000	Group 2021 £'000

Tax losses carried forward against profits of future years	**2,400**	1,865
Net deferred tax assets	**2,400**	1,865

Of the unused tax losses £5,612,000 (2021: £2,071,000) can be carried forward indefinitely, £1,257,000 (2021: £817,000) expires within 10 years and £3,649,000 (2021: £3,053,000) expires within 20 years. £133,000 of the unused tax losses carried forward indefinitely relate to unrecognised capital losses which may be offset against future chargeable (capital) gains only.

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 £2,345,000 (2021: £3,675,000). If the earnings were remitted, tax of £2,000 (2021: £45,000) would be payable.

17 Trade and Other Receivables

	Group		Company	
	2022 £'000	Restated 2021[1] £'000	2022 £'000	2021 £'000
Trade receivables from contracts with customers, net of loss allowance	**36,367**	34,187	**–**	–
Amounts owed by Group companies	**–**	–	**2,757**	3,046
Other receivables	**1,701**	1,619	**–**	–
Prepayments	**1,372**	1,587	**–**	–
Accrued income	**15,327**	26,742	**–**	–
Total	**54,767**	64,135	**2,757**	3,046

1 Prepayments as at 31 July 2021 have been restated as a result of change of accounting policy in light of the International Financial Reporting Standards Interpretations Committee (IFRIC) latest guidance on SaaS arrangements, as explained further in Note 1.25.

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

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

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.

Impairment of trade receivables from contracts with customers

	Group	
	2022 £'000	2021 £'000
Trade receivables from contracts with customers, gross amounts	**38,444**	37,636
Loss allowance	**(2,077)**	(3,449)
Trade receivables from contracts with customers, net of loss allowance	**36,367**	34,187

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

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

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the relevant period end and the corresponding historical credit losses experienced within this period. The historic loss rates are adjusted to reflect any relevant current and forward-looking information expected to affect the ability of customers to settle the receivables. Additionally, the projected post-COVID economic recovery based on external reports, forecast data and scenario analysis, has been taken into account along with other macro-economic factors when assessing the credit risk profiles for specific industries and geographies.

The loss allowance for trade receivables was determined as follows:

31 July 2022	Current	More than 30 days past	More than 60 days past	More than 90 days past	Total
Weighted expected loss rate (%)	**4.0%**	**7.9%**	**15.9%**	**48.0%**	
Gross carrying amount – trade receivables (£'000)	**35,817**	**1,241**	**327**	**1,059**	**38,444**
Loss allowance (£'000)	**1,418**	**99**	**52**	**508**	**2,077**

31 July 2021	Current	More than 30 days past	More than 60 days past	More than 90 days past	Total
Weighted expected loss rate (%)	5.2%	5.0%	18.6%	60.9%	
Gross carrying amount – trade receivables (£'000)	33,741	654	743	2,498	37,636

Loss allowance (£'000)	1,756	33	138	1,522	3,449

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

	Group	
	2022 £'000	2021 £'000
Opening loss allowance at 1 August	**3,449**	3,987
Increase/(decrease) in loss allowance recognised in the year	**136**	(296)
Receivables written off during the year as uncollectable	**(1,508)**	(242)
Closing loss allowance at 31 July	**2,077**	3,449

Impairment of accrued income

	Group	
	2022 £'000	2021 £'000
Gross accrued income	**16,009**	27,807
Loss allowance	**(682)**	(1,065)
Accrued income, net of loss allowance	**15,327**	26,742

The loss allowance for accrued income was determined as follows:

31 July 2022	Current	More than 30 days past	More than 60 days past	More than 90 days past	Total
Weighted expected loss rate (%)	**2.5%**	**2.5%**	**2.5%**	**30.6%**	
Gross carrying amount – accrued income (£'000)	**13,269**	**1,090**	**649**	**1,001**	**16,009**
Loss allowance (£'000)	**333**	**27**	**16**	**306**	**682**

31 July 2021	Current	More than 30 days past	More than 60 days past	More than 90 days past	Total
Weighted expected loss rate (%)	2.9%	2.7%	2.6%	23.7%	
Gross carrying amount – accrued income (£'000)	21,455	3,546	1,519	1,287	27,807
Loss allowance (£'000)	624	96	40	305	1,065

The loss allowance for accrued income at year reconciles to the opening loss allowance as per below:

	Group	
	2022 £'000	2021 £'000
Opening loss allowance at 1 August	**1,065**	269
(Decrease)/increase in loss allowance recognised in profit and loss during the year	**(383)**	796
Closing loss allowance at 31 July	**682**	1,065

18 Provisions

	2022			2021		
Group	Dilapidations £'000	Other provisions £'000	Total £'000	Dilapidations £'000	Other provisions £'000	Total £'000
Balance at 1 August	**1,680**	**53**	**1,733**	1,710	1,084	2,794
Provisions made in the year	**18**	**824**	**842**	74	40	114
Provisions utilised	**(145)**	**(40)**	**(185)**	–	(679)	(679)
Provisions released	**(698)**	**(13)**	**(711)**	(58)	(392)	(450)
Effect of movements in exchange rates	**25**	**–**	**25**	(46)	–	(46)
Balance at 31 July	**880**	**824**	**1,704**	1,680	53	1,733

	2022			2021		
Group	Dilapidations £'000	Other provisions £'000	Total £'000	Dilapidations £'000	Other provisions £'000	Total £'000
Non-current	**517**	**-**	**517**	1,269	–	1,269
Current	**363**	**824**	**1,187**	411	53	464
Total	**880**	**824**	**1,704**	1,680	53	1,733

Dilapidation provisions are held in respect of the Group's office properties where lease obligations include contractual obligations to return the property to its original condition at the end of the lease term, ranging between one and six years.

Other provisions have been recognised in respect of restructuring activities relating to discontinuation of overseas operations and claims for certain legal matters. Other provisions held as at 31 July 2021 are primarily in respect of claims for certain legal matters.

No provisions are held by the parent Company (2021: £nil).

19 Trade and Other Payables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	**3,753**	4,530	**–**	–
Amounts owed to group undertakings	**–**	–	**3,006**	2,972
Taxation and social security	**6,672**	10,473	**–**	–
Contractor wages payable	**25,841**	27,209	**–**	–
Accruals and deferred income	**3,828**	5,158	**–**	–
Other payables	**3,312**	8,751	**–**	–
Total	**43,406**	56,121	**3,006**	2,972

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

20 Loans and Borrowings

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Recourse working capital facility	**1,801**	9,348	**–**	–
Bank loans and borrowings due in less than one year	**1,801**	9,348	**–**	–
Total bank loans and borrowings	**1,801**	9,348	**–**	–

The Group holds both recourse and non-recourse working capital facilities. Under the terms of the non-recourse facility, the trade receivables assigned to the facility are owned by HSBC and so have been de-recognised from the Group's statement of financial position; in addition, the non-recourse working capital facility does not meet the definition of loans and borrowings under IFRS. The Group continues to collect cash from trade receivables assigned to the non-recourse facility on behalf of HSBC which is then transferred to them periodically each month. Any cash collected from trade receivables under the non-recourse facility at the end of reporting period that had not been transferred to HSBC, is presented as restricted cash included within the Group's cash balance. At 31 July 2022, the Group had agreed banking facilities with HSBC totalling £60m (31 July 2021: £75m) invoice financing working capital facility (recourse and non-recourse).

The Group's working capital facilities are secured by way of an all assets debenture, which contains fixed and floating charges over the assets of the Group. This facility allows certain companies within the Group to borrow up to 90% of invoiced or accrued income up to a maximum of £60m (31 July 2021: £75m). Interest is charged on the recourse borrowings at a rate of 1.90% (31 July 2021: 1.75%) over the HSBC Bank base rate of 1.25% (2021: 0.1%).

21 Financial Assets and Liabilities Statement of Financial Position Clarification

The carrying amount of the Group's financial assets and liabilities as recognised at the Statement of Financial Position date of the reporting 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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade and other receivables (Note 17)				
• Financial assets recorded at amortised cost	**53,395**	62,548	**2,757**	3,046
Cash and cash equivalents				
• Financial assets recorded at amortised cost	**17,768**	29,238	**7**	4
Total	**71,163**	91,786	**2,764**	3,050

Financial liabilities are included in the statement of financial position within the following headings:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Borrowings (Note 20)				
• Financial liabilities recorded at amortised costs	**1,801**	9,348	**–**	–
Leases (Note 22)				
• Financial liabilities recorded at amortised costs	**3,625**	5,761	**–**	–
Trade and other payables (Note 19)				
• Financial liabilities recorded at amortised costs	**36,734**	45,648	**3,006**	2,972
Total	**42,160**	60,757	**3,006**	2,972

22 Leases

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

Right-of-use assets		Buildings £'000	Vehicles £'000	Other £'000	Total £'000
Cost	At 1 August 2020	10,004	348	16	10,368
	Effect of reassessment of lease terms	416	–	5	421
	Effect of movement in exchange rates	41	–	1	42
	Reclassification to assets held for sale	(216)	–	(14)	(230)
	At 31 July 2021	10,245	348	8	10,601
	At 1 August 2021	**10,245**	**348**	**8**	**10,601**
	Additions	**183**	**44**	**–**	**227**
	Effect of reassessment of dilapidation assets	**(412)**	**–**	**–**	**(412)**
	Effect of reassessment of lease terms	**(965)**	**–**	**–**	**(965)**
	Effect of change in lease consideration	**440**	**–**	**–**	**440**
	Effect of movement in exchange rates	**64**	**–**	**–**	**64**
	At 31 July 2022	**9,555**	**392**	**8**	**9,955**
Accumulated depreciation and impairment	At 1 August 2020	2,847	176	7	3,030
	Depreciation charge	1,749	119	7	1,875
	Impairment	183	–	–	183
	Effect of movement in exchange rates	40	–	–	40
	Reclassification to assets held for sale	(190)	–	(11)	(201)
	At 31 July 2021	4,629	295	3	4,927
	At 1 August 2021	**4,629**	**295**	**3**	**4,927**
	Depreciation charge	**1,491**	**59**	**2**	**1,552**
	Impairment	**827**	**25**	**–**	**852**
	Effect of reassessment of dilapidation assets	**(481)**	**–**	**–**	**(481)**
	Effect of movement in exchange rates	**40**	**–**	**–**	**40**
	At 31 July 2022	**6,506**	**379**	**5**	**6,890**
Net book value	At 1 August 2021	5,616	53	5	5,674
	At 31 July 2022	**3,049**	**13**	**3**	**3,065**

At 31 July 2022, included within property right-of-use assets is costs of £854,000 (2021: £1,491,000) and net book value of £248,000 (2021: £526,000) relating to dilapidation assets.

During the year, the Group recognised an impairment of £852,000 in relation the right-of-use assets belonging to the Infrastructure – RSL Rail CGU, as discussed in more detail in Note 13. In the prior year, an impairment of £114,000 was recognised in respect of a UK property that was no longer in use by the business, with the remaining £69,000 impairment relating to the closure of the Mexican operations.

	2022				2021			
Lease liabilities	Buildings £'000	Vehicles £'000	Other £'000	Total £'000	Buildings £'000	Vehicles £'000	Other £'000	Total £'000
Current	**1,112**	**21**	**2**	**1,135**	1,423	55	2	1,480
Non-current	**2,470**	**17**	**3**	**2,490**	4,268	9	4	4,281
Total	**3,582**	**38**	**5**	**3,625**	5,691	64	6	5,761

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

The discount rates used to measure the lease liabilities at 31 July 2022 range between 2.0% to 7.5% for properties (2021: 1.6% – 10.1%), 4.7% for vehicles (2021: 4.7%) and 10.1% for other leases (2021: 10.1%).

Reconciliation of lease liabilities movement in the year

	Buildings £'000	Vehicles £'000	Other £'000	Total £'000
At 1 August 2020	7,551	176	9	7,736
Lease payments	(2,387)	(116)	(8)	(2,511)
Interest expense of lease liabilities	151	4	1	156
Effect of reassessment of lease terms	268	–	5	273
Effect of movement in exchange rates	120	–	1	121
Liabilities directly associated with assets held for sale	(12)	–	(2)	(14)
At 31 July 2021	5,691	64	6	5,761
At 1 August 2021	**5,691**	**64**	**6**	**5,761**
Additions	**165**	**40**	**–**	**205**
Lease payments	**(1,968)**	**(68)**	**(2)**	**(2,038)**
Interest expense of lease liabilities	**112**	**2**	**1**	**115**
Effect of changes in lease consideration	**440**	**–**	**–**	**440**
Effect of reassessment of lease terms	**(892)**	**–**	**–**	**(892)**

Effect of movement in exchange rates	**34**	**–**	**–**	**34**
At 31 July 2022	**3,582**	**38**	**5**	**3,625**

Amounts in respect of leases recognised in the income statement

	2022 £'000	2021 £'000
Depreciation expense of right-of-use assets	**1,555**	1,875
Impairment of right-of-use assets	**852**	183
Interest expense on lease liabilities	**115**	156
Expense relating to leases of low-value assets and short-term leases (included in administrative expenses)	**17**	14

On the 5th October 2022, a sublease agreement was signed between Gattaca plc and a third party to sublet a portion of the office space within the London office. The annual rent has been agreed at £134,000. The sublease runs for the duration of the underlying lease of the building.

23 Share Capital

Authorised share capital:

	Company	
	2022 £'000	2021 £'000
40,000,000 (2021: 40,000,000) Ordinary shares of £0.01 each	**400**	400

Allotted, called up and fully paid:

	Company	
	2022 £'000	2021 £'000
32,290,400 (2021: 32,290,400) Ordinary shares of £0.01 each	**323**	323

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

	Company	
	2022 £'000	2021 £'000
In issue at 1 August	**32,290**	32,290
Exercise of share options	**–**	–
In issue at 31 July	**32,290**	32,290

The Company has one class of ordinary shares. Each share is entitled to one vote in the event of a poll at a general meeting of the Company. Each share is entitled to participate in dividend distributions.

Merger reserves

A merger reserve was created in 2015 in Gattaca plc under section 612 of the Companies Act 2006, relating to the acquisition of Networkers International plc. Gattaca plc's investment in Networkers International plc was subsequently transferred to a subsidiary undertaking in exchange for consideration of an intercompany receivable. The asset to which the merger reserve relates, being the goodwill and acquired intangible assets recognised on consolidation as part of the acquisition, was impaired in 2018, 2019 and 2021. Additionally, the intercompany receivable was settled in 2020 in exchange for qualifying consideration of offset with an intercompany payable. As a result, the full merger reserve of £28,526,000 became realised across these years. A choice has now been made to transfer the realised merger reserve to retained earnings in the year ended 31 July 2022 to present all distributable reserves in one place.

Share Options

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

	2022 '000s	2021 '000s	Date of grant	Exercise price pence	Exercise period From	To
Long-term Incentive Plan Options	**–**	1	31/01/2012	1	31/01/2014	31/01/2022
Long-term Incentive Plan Options	**–**	1	31/01/2012	1	31/01/2015	31/01/2022
Long-term Incentive Plan Options	**2**	1	31/01/2013	1	31/01/2015	31/01/2023
Long-term Incentive Plan Options	**5**	2	31/01/2013	1	31/01/2016	31/01/2023
Long-term Incentive Plan Options	**5**	4	01/01/2014	1	01/01/2016	01/01/2024
Long-term Incentive Plan Options	**38**	32	01/01/2014	1	01/01/2017	01/01/2024
Long-term Incentive Plan Options	**5**	3	28/01/2015	1	28/01/2017	28/01/2025
Long-term Incentive Plan Options	**27**	24	28/01/2015	1	28/01/2018	28/01/2025
Long-term Incentive Plan Options	**5**	–	25/06/2015	1	25/06/2018	25/06/2025
Long-term Incentive Plan Options	**13**	–	11/02/2016	1	11/02/2019	11/02/2026
Long-term Incentive Plan Options	**71**	402	19/12/2018	1	19/12/2021	19/12/2028
Long-term Incentive Plan Options	**162**	704	20/01/2020	1	20/01/2023	20/01/2030

Long-term Incentive Plan Options	**160**	282	01/12/2020	1	01/12/2023	01/12/2030
Long-term Incentive Plan Options	**410**	–	16/12/2021	1	16/12/2024	16/12/2031
Long-term Incentive Plan Options	**70**	–	09/05/2022	1	16/12/2024	09/05/2032
Long-term Incentive Plan Options	**130**	–	09/05/2022	1	09/05/2025	09/05/2032
Total	**1,103**	1,456				

During the year, the Group granted share options under the Long-Term Incentive Plan for Executive Directors and senior management. The share options were granted on 16 December 2021 and 9 May 2022 to members of staff to be held over a three-year vesting period and are subject to various performance conditions. All share options have a life of 10 years from grant date and are equity settled on exercise.

The movement in share options is shown below:

	2022			2021		
	Number '000	Weighted average exercise price (pence)	Weighted average share price (pence)	Number '000	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1 August	**1,456**	**1.2**	**–**	1,176	74.6	–
Granted	**1,026**	**1.0**	**–**	1,106	1.0	–
Forfeited/lapsed	**(1,379)**	**1.3**	**–**	(826)	1.3	–
Exercised	**-**	**–**	**–**	–	–	–
Outstanding at 31 July	**1,103**	**1.0**		1,456	1.2	–
Exercisable at 31 July	**171**	**1.0**		69	1.0	–

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

	2022			2021		
Exercise date	Weighted average remaining contract life (months)	Number '000	Weighted average exercise price (pence)	Weighted average remaining contract life (months)	Number '000	Weighted average exercise price (pence)
19/12/2021	**–**	**–**	**–**	5	402	1.0
20/01/2023	**6**	**162**	**1.0**	18	703	1.0
01/12/2023	**16**	**160**	**1.0**	28	219	2.4
31/01/2024	**–**	**–**	**–**	30	60	–
16/12/2024	**29**	**410**	**1.0**	–	–	–
16/12/2024	**29**	**70**	**1.0**	–	–	–
09/05/2025	**33**	**130**	**1.0**	–	–	–
Outstanding at 31 July		**932**			1,384	

In addition to the share option schemes the Group operated a Share Incentive Plan (SIP), which is a 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 25,711 shares (2021: 73,190) under this scheme.

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 2022 and 31 July 2021. During the year ended 31 July 2021, a new EBT was set up as the branch of Gattaca plc and Apex Financial Services Limited was appointed as the Trustee and the administrator to this new EBT.

As at 31 July 2022, excess funds of £27,000 (2021: £28,000) were held by the EBTs, which has been included in cash and cash equivalents.

The following expenses or credits were recognised in the income statement in relation to share-based payment transactions:

	2022 £'000	2021 £'000
Long-term incentive plan options	**106**	133
Share incentive plan	**39**	138
Total	**145**	271

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 (£)
31/01/2012	Long Term Incentive Plan Options	2.12	0.01	20.4%	2.00	7.4%	0.5%	2.12
31/01/2012	Long Term Incentive Plan Options	2.12	0.01	20.4%	3.00	7.4%	0.5%	2.12
31/01/2013	Long Term Incentive Plan Options	2.69	0.01	14.0%	2.00	5.8%	0.6%	2.67

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 (£)
31/01/2013	Long Term Incentive Plan Options	2.69	0.01	14.0%	3.00	5.8%	0.6%	2.67
01/01/2014	Long Term Incentive Plan Options	5.75	0.01	16.8%	2.00	3.1%	1.2%	5.75
01/01/2014	Long Term Incentive Plan Options	5.75	0.01	16.8%	3.00	3.1%	1.2%	5.75
28/01/2015	Long Term Incentive Plan Options	5.08	0.01	16.4%	2.00	3.9%	0.7%	5.08
28/01/2015	Long Term Incentive Plan Options	5.08	0.01	16.4%	3.00	3.9%	0.6%	5.08
25/06/2015	Long Term Incentive Plan Options	5.49	0.01	16.4%	3.00	3.9%	1.1%	5.49
11/02/2016	Long Term Incentive Plan Options	4.35	0.01	20.9%	3.00	4.9%	0.5%	4.50
19/12/2018	Long Term Incentive Plan Options	1.08	0.01	44.9%	3.00	0.0%	0.7%	1.07
07/08/2019	SIP	1.44	0.01	n/a	3.00	n/a	n/a	1.44
09/09/2019	SIP	1.28	0.01	n/a	3.00	n/a	n/a	1.28
08/10/2019	SIP	1.32	0.01	n/a	3.00	n/a	n/a	1.32
08/11/2019	SIP	1.18	0.01	n/a	3.00	n/a	n/a	1.18
09/12/2019	SIP	1.10	0.01	n/a	3.00	n/a	n/a	1.10
10/01/2020	SIP	1.29	0.01	n/a	3.00	n/a	n/a	1.29
20/01/2020	Long Term Incentive Plan Options	1.13	0.01	n/a	3.00	0.0%	n/a	1.24
10/02/2020	SIP	0.82	0.01	n/a	3.00	n/a	n/a	0.82
09/03/2020	SIP	0.76	0.01	n/a	3.00	n/a	n/a	0.76
09/04/2020	SIP	0.39	0.01	n/a	3.00	n/a	n/a	0.39
11/05/2020	SIP	0.44	0.01	n/a	3.00	n/a	n/a	0.44
08/06/2020	SIP	0.45	0.01	n/a	3.00	n/a	n/a	0.45
10/07/2020	SIP	0.45	0.01	n/a	3.00	n/a	n/a	0.45
14/08/2020	SIP	0.54	0.01	n/a	3.00	n/a	n/a	0.54
08/09/2020	SIP	0.58	0.01	n/a	3.00	n/a	n/a	0.58
08/10/2020	SIP	0.54	0.01	n/a	3.00	n/a	n/a	0.54
10/11/2020	SIP	0.60	0.01	n/a	3.00	n/a	n/a	0.60
01/12/2020	Long Term Incentive Plan Options	0.84	0.01	n/a	3.00	n/a	n/a	0.84
08/12/2020	SIP	0.82	0.01	n/a	3.00	n/a	n/a	0.82
11/01/2021	SIP	0.82	0.01	n/a	3.00	n/a	n/a	0.82
12/02/2021	SIP	0.86	0.01	n/a	3.00	n/a	n/a	0.86
08/03/2021	SIP	1.15	0.01	n/a	3.00	n/a	n/a	1.15
12/04/2021	SIP	1.50	0.01	n/a	3.00	n/a	n/a	1.50
11/05/2021	SIP	1.49	0.01	n/a	3.00	n/a	n/a	1.49
08/06/2021	SIP	2.24	0.01	n/a	3.00	n/a	n/a	2.24
07/07/2021	SIP	2.64	0.01	n/a	3.00	n/a	n/a	2.64
06/08/2021	SIP	2.46	0.01	n/a	3.00	n/a	n/a	2.46
07/09/2021	SIP	2.01	0.01	n/a	3.00	n/a	n/a	2.01
07/10/2021	SIP	2.00	0.01	n/a	3.00	n/a	n/a	2.00
05/11/2021	SIP	1.67	0.01	n/a	3.00	n/a	n/a	1.67
07/12/2021	SIP	1.39	0.01	n/a	3.00	n/a	n/a	1.39
16/12/2021	Long Term Incentive Plan Options	1.29	0.01	59.2%	3.00	3.0%	0.5%	2.05

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 (£)
10/01/2021	SIP	1.49	0.01	n/a	3.00	n/a	n/a	1.49
07/02/2022	SIP	0.83	0.01	n/a	3.00	n/a	n/a	0.83
07/03/2022	SIP	0.79	0.01	n/a	3.00	n/a	n/a	0.79
07/04/2022	SIP	0.71	0.01	n/a	3.00	n/a	n/a	0.71
09/05/2022	SIP	0.66	0.01	n/a	3.00	n/a	n/a	0.66
09/05/2022	Long Term Incentive Plan Options	0.66	0.01	66.9%	2.50	2.8%	1.4%	0.60
09/05/2022	Long Term Incentive Plan Options	0.66	0.01	67.6%	3.00	2.8%	1.4%	0.37
09/06/2022	SIP	0.64	0.01	n/a	3.00	n/a	n/a	0.64
07/07/2022	SIP	0.69	0.01	n/a	3.00	n/a	n/a	0.69

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. For 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

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

During the year Matchtech Group (UK) Limited charged Gattaca plc £1,028,000 (2021: £525,000) for provision of management services.

The remuneration of key management personnel 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
2022					
Invoice financing working capital facility	**1,801**	**–**	**–**	**–**	**1,801**
Lease liabilities	**1,271**	**1,093**	**1,616**	**48**	**4,028**
Trade and other payables	**32,713**	**–**	**–**	**–**	**32,713**
Total	**35,785**	**1,093**	**1,616**	**48**	**38,542**

2021					
Invoice financing working capital facility	9,382	–	–	–	9,382
Lease liabilities	1,494	1,192	2,438	651	5,775
Trade and other payables	40,490	–	–	–	40,490
Total	51,366	1,192	2,438	651	55,647

Company

The Company had no financial liabilities at the reporting date (2021: £nil).

Interest rate sensitivity

The Group's exposure to fluctuations in interest rates on borrowing is limited to its recourse working capital facility, as explained in Note 20. The Directors have considered the potential increase in finance costs and reduction in pre-tax profits due to increases in the Bank of England's base rate over a range of possible scenarios. The information for the year ended 31 July 2022 and the comparative information for the year ended 31 July 2021 are both based upon actual utilisation of the facility during that year.

Projected increase in finance costs arising from increases in the Bank of England's base rate of 1.25% as at 31 July 2022 (31 July 2021: 0.10%):

	Group	
	2022 £000's	2021 £000's
100 basis point increase	**68**	62
200 basis point increase	**136**	123
500 basis point increase	**339**	308

Borrowing facilities

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

	Group	
	2022 £'000	2021 £'000
Undrawn working capital facility	**33,051**	24,163

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 12 months. At 31 July 2022, the Group had agreed banking facilities with HSBC totalling £60m (2021: £75m) comprised solely of a £60m invoice financing working capital facility (2021: £75m invoice financing working capital facility). 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 receivables 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	
	2022 £'000	2021 £'000
US dollar	**5,696**	6,436
Euro	**2,119**	5,224

The Directors have considered the effect of a change in the Sterling exchange rate with the US Dollar and Euro on the balances of cash, aged receivables and aged payables held at the reporting date, assuming no other variables have changed. The effect of a 10% (2021: 25%) strengthening and weakening of Sterling against the US Dollar and Euro is set out below. The Group's exposure to other foreign exchange movements is not material.

	Group	
	2022 £'000	2021 £'000
USD / EUR exchange rate – increase 10% (2021: 25%)	**704**	3,397
USD / EUR exchange rate – decrease 10% (2021: 25%)	**(596)**	(2,352)

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	
	2022 £'000	Restated[1] 2021 £'000
Total equity	**29,997**	35,107
Cash and cash equivalents	**(17,768)**	(29,238)
Capital	**12,229**	5,869

Total equity	**29,997**	35,107
Borrowings	**1,801**	9,348
Lease liabilities	**3,625**	5,761
Overall financing	**35,423**	50,216
Capital to overall financing ratio	**35%**	12%

1 Results are restated following the March 2021 IFRS Interpretations Committee agenda decision on cloud computing arrangements, resulting in previously capitalised software assets being expensed, as explained further in Note 1.25.

27 Net Cash/(Debt)

Net cash/(debt) is the total amount of cash and cash equivalents less interest-bearing loans and borrowings, including finance lease liabilities.

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

2022	1 August 2021 £'000	Net cash flows £'000	Non-cash movements £'000	31 July 2022 £'000
Cash and cash equivalents	**29,238**	**(11,667)**	**197**	**17,768**
Working capital facilities	**(9,348)**	**7,547**	**–**	**(1,801)**
Lease liabilities	**(5,761)**	**2,038**	**98**	**(3,625)**
Total net cash	**14,129**	**(2,082)**	**295**	**12,342**

2021	1 August 2020 £'000	Net cash flows restated[1] £'000	Non-cash movements restated[1] £'000	31 July 2021 £'000
Cash and cash equivalents	34,796	(5,213)	(345)	29,238
Interest-bearing term loan	(7,500)	7,500	–	–
Working capital facilities	(151)	(9,197)	–	(9,348)
Lease liabilities	(7,736)	2,511	(536)	(5,761)
Total net cash/(debt)	19,409	(4,399)	(881)	14,129
Capitalised finance costs	196	–	(196)	–
Total net cash/(debt) after capitalised finance costs	19,605	(4,399)	(1,077)	14,129

1 The reconciliation to adjusted net debt is restated for non-cash movements relating to the effect of foreign exchange rates on cash and cash equivalents as presented in the Consolidated Cash Flow Statement.

28 Contingent Liabilities

We continue our cooperation with the United States Department of Justice and in 2022 have incurred £33,000 (2021: £29,000) 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.

The Directors are aware of other potential claims against the Group at the date of approval of these financial statements which may result in a future liability. The Group considers that the likelihood of a material economic outflow is remote, and therefore no provision is being made.

29 Dividends

	2022 £'000	2021 £'000
Equity dividends proposed after the year end (not recognised as a liability) at nil pence per share (2021: 1.5 pence per share)	**–**	484

The Group declared a dividend of 1.5 pence per share on 4 November 2021.

30 Events After the Reporting Date

The Group has not identified any subsequent events other than the sublease that has been disclosed in Note 22.

31 Availability of Annual Report and Accounts and Notice of AGM

It is expected that the Company's Annual Report and Accounts for the year ended 31 July 2022 (the "Accounts") will be published before the end of 3 November 2022 and that copies will be posted to shareholders and available to download from the Company's website at www.gattacaplc.com shortly. Accompanying the Accounts will be notice of Gattaca's 2022 Annual General Meeting, to be held at 9.30am on Tuesday 6 December 2022 at The Solent Hotel & Spa, Rookery Avenue, Whiteley, Hampshire.