

Building on our strengths

Annual Report and Accounts 2018



Gattaca is a leading provider of engineering and technology recruitment solutions.

Founded in 1984, we have over 30 years' experience in successfully matching talented people with employers' requirements, often in areas where there is a scarcity of skills. We are a highly focused business, operating exclusively in the two complementary recruitment sectors of engineering and technology. We have a resilient business model and have recently reorganised our business to establish a foundation for further profitable growth.

Our vision

We aim to be the leading provider of outsourced solutions and specialist recruitment in our chosen markets.

Our people

Our key asset is our people. They are at the heart of our business and you will see many of our employees proudly featured in the imagery throughout this Annual Report.

Our Strategic Priorities



1. Sharpen our focus

We focus on engineering, technology, recruitment solutions and Gattaca Projects. This clear focus on sectors and skill sets differentiates us from our competitors. Within each of our brands, our consultants are specialists in their markets and can consult and advise with ultimate confidence. This knowledge and expertise, combined with efficient and simplified processes, makes them valuable to both clients and candidates in understanding their challenges.



2. Move up the value chain

Our clients draw on our experience for attracting the resources they have difficulty finding; niche, scarce and skilled professional candidates who are strategically important to their business. Around 58% of our business comes from clients opting for framework or preferred supplier agreements. Moving up the value chain is also about fewer transactional relationships and more advisory ones, where we complement rather than compete with a client's own functions. We look to build more valued relationships and become a trusted long term partner.



3. Think global

Our international footprint supports client requirements, especially global businesses looking for specialist help on a broader scale. We also help a growing number of professionals who are seeking engineering and technology opportunities abroad. We focus our resources on growing in regions which offer significant, scalable and sustainable profit potential in the near term, and areas where we can replicate our regional hub and spoke model.

Strategic Report

Highlights



Key Financial Highlights

Group revenue

£667.5m

2017: £642.4m

(Loss)/profit from operations

(£23.4m)

2017: £12.7m

(Loss)/profit before taxation

(£24.9m)

2017: £11.5m

Dividend per share

3.0p

2017: 23.0p



Operational Highlights

- **Kevin Freeguard appointed Chief Executive Officer** and joined on 1 October 2018.
- **International operations restructured** to focus on markets and territories where we see significant, scalable and sustainable opportunities for our business.
- **Continued strong focus** on our core and growing businesses, in particular UK Engineering (including Resourcing Solutions Limited "RSL"), UK IT, and North America.
- **Ongoing cost reduction** programme progressing to plan.
- **Post year end** consolidation of our London and Bromley offices almost complete with associated cost reductions delivered to plan.

Notes

- 1 Net Fee Income (NFI) is calculated as revenue less contractor payroll costs.
- 2 Underlying results exclude amortisation of acquired intangibles of £2.7m (2017: £3.1m), impairment of acquired intangibles of £33.3m (2017: £nil), non-underlying costs of £1.7m (2017: £1.6m) and excluding exchange gains/(losses) charged to the profit and loss. Profit from operations is underlying EBITDA less depreciation.
- 3 The Annual Report includes both statutory and alternative performance measures (APMs), the latter of which, in management's view, reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis. Our APMs and KPIs are aligned to our strategy and together are used to measure the performance of our business and form the basis of the performance measures for remuneration. The underlying result excludes certain items because if included, these items could distort the understanding of our performance for the year and the comparability between periods.



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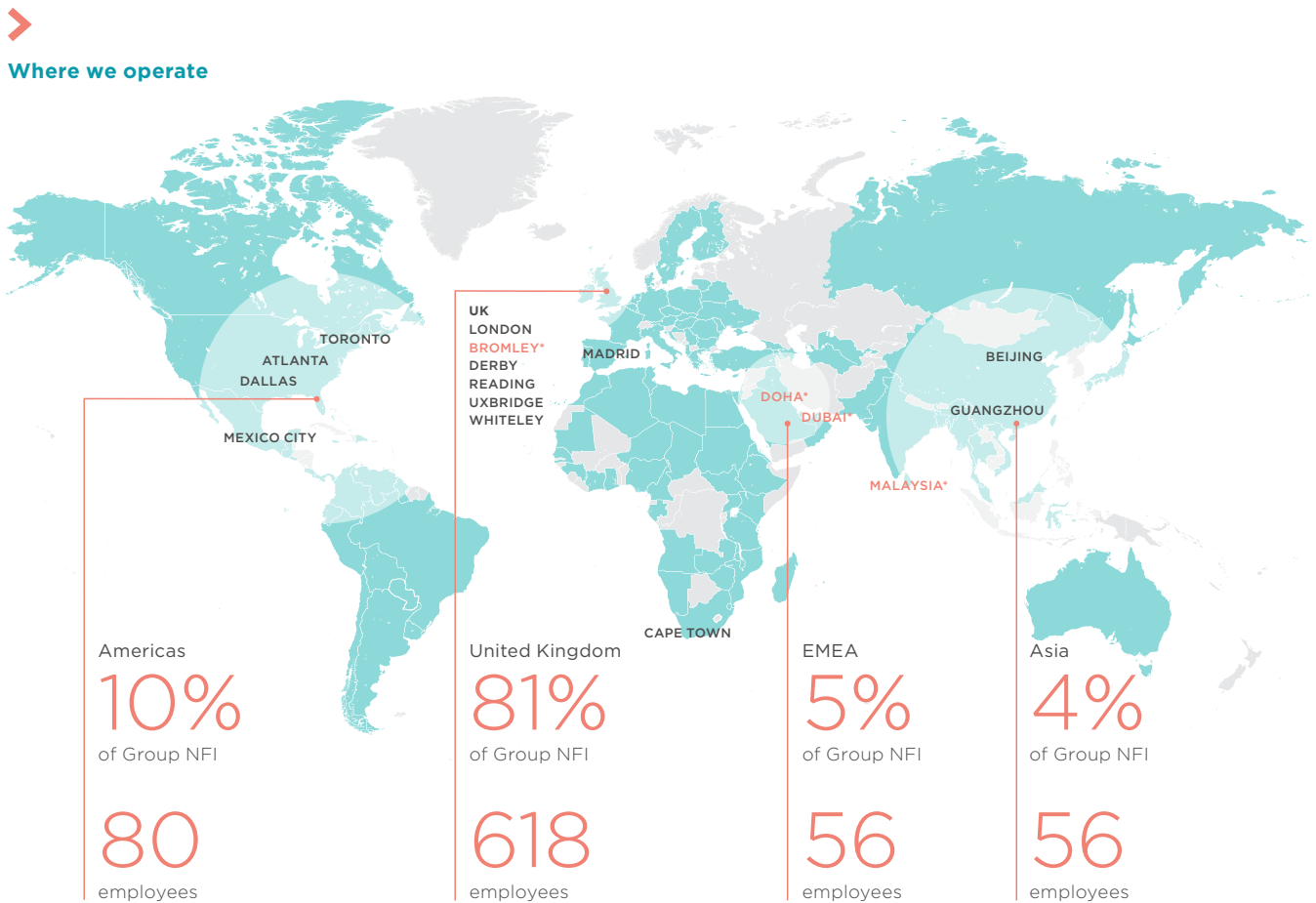
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Market-leading specialist recruitment solutions

Founded in 1984, Gattaca has grown into an international business, with more than 800 staff around the world, and the ability to support client requirements in over 100 countries. The Gattaca Group comprises a number of specialist recruitment brands. These include the engineering recruitment specialist, Matchtech; technology recruitment specialist, Networkers; professional staffing consultancy, Barclay Meade; and skills and employability specialist, Alderwood.

We help companies realise their full people potential, by providing outsourced staffing solutions and recruitment services to those operating in the engineering and technology markets. We offer a personal service to each company we work with – from international engineering consultancies with thousands of employees to niche SMEs operating in emerging technology fields such as artificial intelligence (AI). We help them overcome their recruitment challenges and achieve their business goals.



* We are withdrawing from the territories and markets marked in Coral
We currently operate in all countries shaded in green



Our business at a glance



Our solutions & services

Core recruitment

- Permanent, fixed term, temporary, contractor and interim recruitment
- Contingent recruitment
- Preferred Supplier Lists (PSLs) & frameworks
- Exclusive vacancy and campaign recruitment

Our specialist recruitment brands provide a range of services across the Engineering & Technology sectors, with the most advanced being our Exclusive Campaign service, whereby a dedicated consultant manages recruitment campaigns on behalf of our clients. This is our core business which we have delivered since 1984.

Solutions

- Flexible workforce solutions
- Permanent workforce solutions (RPO)
- Total workforce solutions (total talent management)
- Statement of Work services and fully managed projects
- Seconded professionals
- Fully managed projects

Gattaca Solutions is a leading provider of flexible, permanent & total workforce solutions. Using our own specialist brands and an external supply chain, we create innovative solutions to enhance our clients' workforce strategies, covering compliance, visibility, cost savings, quality and process efficiency.

Gattaca Projects provides professional, expert outsourced engineering and technology support solutions. Working from our offices or based on site, Gattaca Projects provides globally available bespoke solutions, from blank paper design and reverse engineering, to large scale IT desktop migrations.

MATCHTECH NETWORKERS  **GATTACA**
SOLUTIONS **Resourcing**
SolutionsALDERWOOD BARCLAYMEADE 

Our sectors

Gattaca operates across the following industrial sectors and skill sets globally.

Our engineering business

Matchtech specialises in eight key sectors:

- Aerospace
- Automotive
- Energy
- Engineering Technology
- General Engineering
- Infrastructure
- Maritime
- Professional

[⊕ Read more on page 8](#)

Technology at a glance

Our technology business Networkers specialises in IT and Telecoms, covering:

- AI & Robotics
- Cloud
- Communications
- Cyber Security
- Development
- Enterprise Resource Planning (ERP)
- Public Sector
- Project Management & Business Change
- Technology Sales

[⊕ Read more on page 9](#)



Resetting the business



Patrick Shanley
Non-Executive
Chairman

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

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

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

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

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

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

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

The uncertainty surrounding Brexit is clearly a concern for many of our customers. We continue to discuss with our customers their requirements and are conscious Brexit offers both challenges and opportunities for us as a business. We do however believe we are well placed to support our customers in their staffing requirements during this transitional phase. Internally, we have refocused on the key drivers of profitability and our efforts are very much targeted on NFI per £1 of sales costs. This, together with removing some central costs which were not adding to the bottom line will improve our conversion factor over the coming years as we get back to basics.

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



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

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

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

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



Patrick Shanley
Non-Executive Chairman



Introducing our New CEO



Kevin Freeguard
Chief Executive Officer

I am pleased to welcome Kevin Freeguard as Chief Executive Officer and Board member with effect from 1 October 2018. Kevin is a highly respected technology market executive, having built his whole career with bluechip technology businesses, such as Siemens, Motorola, De La Rue and Verifone. He is an experienced Managing Director, with extensive international expertise and a demonstrable track record of developing high performing teams and business transformation projects. Kevin was more recently Managing Director for Verifone UK and Ireland from 2015 to 2018. I am convinced that under Kevin's leadership we will see the business moving forward.



Investment Case

A focused strategy

Ours is a strong, well established UK business, and one which provides a platform for controlled rollout of our UK model into international territories where we can create significant, sustainable and scalable profits in the near term. Therefore we are investing in organic growth in regions where the trading environment is suitable and will have 13 offices in seven countries, bringing balance and resilience. These offices have new management teams in place and operate on a low cost, regional hub basis. We are growing and investing in Solutions services which offer higher quality and more efficient services to our clients, and better returns for our stakeholders. Our split between contract and permanent staff placement provides further diversification and our increased presence in Solutions brings more predictability of income.

Trusted specialists in engineering and technology

We are number one in Engineering and number six in Technology in the UK (Source: Recruitment International Top 10 2017). By focusing on certain sectors, we can take advantage of our deep and recognised expertise and intelligence in these markets. We can therefore build strong (often exclusive) relationships with employers, and with candidates, in these specialist fields, making us a trusted partner. Where we work through a Client Solutions agreement, we are able to achieve industry leading fulfilment rates. The average tenure of our top 50 client relationship is 7.7 years and our average contractor assignment is 11 months in Engineering and nine months in Technology.

Experienced, established team

Our senior leadership team has over 500 years combined experience in the recruitment sector, and an average length of service with Gattaca of eight years. We also ensure both the team and Board have a diverse range and balance of skills, experience and knowledge. We take pride in our role as an industry influencer, known for our 'Voice of the Workforce' study, our membership of countless engineering and technology industry associations and our work alongside skills academies.

Engaged, highly productive workforce

Gattaca's productive workforce is a family of unique individuals who each bring distinctive skills and experience. A large factor in this is our strong employee satisfaction, measured at 77% during 2018 (2017: 82%). In 2017 we launched a new Employee Value Proposition programme and moved to measuring our engagement in real time.

Strong engagement leads to strong retention, with an average length of service of 4.4 years.

Building on our strengths

Keith Lewis
Chief Operating
Officer



Salar Farzad
Chief Financial
Officer



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

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

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

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

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

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

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

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

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

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



Chris Castle
Senior Consultant

Chief Executive Officer's review continued



Case study: A tailored service to establish a competitive employer proposition

For NIO, a start-up that develops smart, high performance electric vehicles, we faced the challenge of growing its UK technical centre from two staff to over twenty in a few months. NIO needed the very best technical talent, in a market where skills were in high demand and competition from some of the world's most recognisable Automotive brands is fierce.

We undertook comprehensive market mapping, surveying over 1,300 candidates on their impression of NIO. This ensured NIO maximum exposure to the candidate market, and helped them create a competitive employer proposition. Our marketing specialists built a bespoke digital presence showcasing NIO as an exciting company with much to offer.



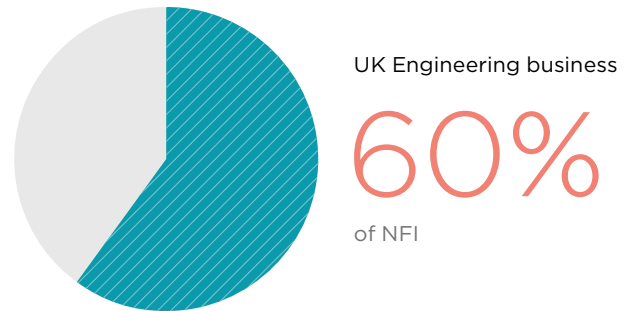
Case study: Recognised for our performance

For NATS, the National Air Traffic Service, we continue to grow our role as a valued partner by providing a high volume of high quality niche personnel, and quickly. Our high levels of integration and collaboration with NATS, through our specialist consultants and strong account team, resulted in our recognition as one of their performers of the year at their annual supply chain awards – the first time for a professional services company.

Performance

UK Engineering

Review of UK Engineering business



UK Engineering, Matchtech showed 1% underlying¹ growth in NFI with a headcount of 276 which, reflecting our increased focus on productivity, was 25 lower than at the end of 2017.

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

Our Infrastructure business which represents around 40% of UK Engineering was 1% lower than the previous year, though performance was mixed within the business unit. As we noted at the half year, our rail focused team, RSL, has been affected by the bidding, award and uncertainty of the HS2 project, as well as delayed investment into ongoing maintenance projects. The lack of Network Rail funding in the latter stages of CP5, Crossrail winding down, and the well publicised collapse of Carillion all had an impact. 2019 looks set for more investment in capital projects and the new Rail Control Period (CP6) will create further opportunities. We have seen strong performances in other areas offsetting this, some of which can be attributed to mega-projects such as Hinkley Point, Tideway and the Heathrow expansion.

Our Highways business has capitalised on both design and construction projects, where high levels of spending

Note

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



have continued, while our Buildings team made progress on improving investment in design projects. The Water and Environment marketplace has also remained strong in the build up to the peak in the OFWAT asset management plan cycle.

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

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

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

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

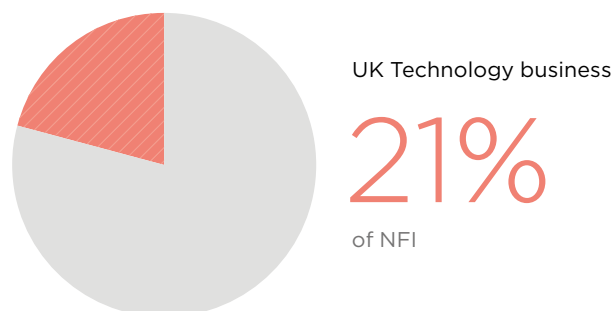
In General Engineering, NFI was down 6% on last year. The principal causes of this were lower demand for contractors from key clients as well as churn within our own staffing. However, the UK remains the ninth largest manufacturing country by output (source: Engineering Employers' Federation 2017), and sectors such as telecoms, high tech distribution and the more traditional

industrial companies are continuing to use high numbers of temporary workers. The Science and Medical markets continue to suffer from skill shortages across the UK, which has led to an increased use of contractors and campaigns to attract overseas candidates and we remain committed to this business.

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

UK Technology

Review of UK Technology business



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

Our Telecoms business declined by 20%, with Telecoms Infrastructure 34% lower than the prior year. In February, we hired a new head of Telecoms and have been working closely with him on a detailed review, resulting in the changes noted in the first part of this statement on page 6. We have restructured the entire Telecoms team, and its focus will be in the communications sector, within Research and Innovation, Digital Networks and Networks, with a complete shift away from Telecoms Infrastructure, where both contractor numbers and margins have been in decline. In Research and Innovation, the team will be engaged in all activities from blue-sky projects to taking products to market. Digital Networks has a focus on software and services for Operations Support Systems (OSS), Billing Support Systems (BSS), and Customer Relationship Management (CRM). The Networks team's focus will be on Fibre, 5G from test networks to commercialisation, and 4G evolution projects.

Chief Executive Officer's review continued

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

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

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

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

2m+

candidates on database



Martin Henderson
Finance Business Partner

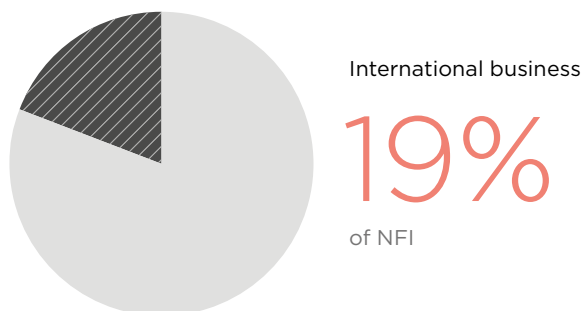
No.1

UK Engineering recruitment specialist

Recruitment International Top 10 2017 (based on turnover)

Total International

Review of International business



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

Americas

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

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

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

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

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

Other International

Our other international businesses declined by 13% overall. As part of our detailed review, we are exiting our operations in Dubai, Malaysia and Qatar, implementation having started in September. Our business in China grew 6% on the previous year. In 2019, this business will be affected by our exit from Telecoms Infrastructure Contract business, which was not expected to make an appropriate net-profit contribution. China offers

us great potential in both Engineering and Technology however and we have repositioned this business to focus on value added higher margin business, primarily in permanent recruitment.

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

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

Outlook

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

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

Keith Lewis
Chief Operating Officer

Salar Farzad
Chief Financial Officer

Key trends influencing our operations

Trends in the market, and some key drivers that influence our strategy include:

Specialisation

The UK recruitment industry is highly saturated, with an estimated 9,500 recruitment providers, and many new firms springing up each year. In excess of 500 recruitment firms (source: REC 2017) had a turnover of more than £10m and the UK industry is worth over £45bn a year. As the supply of candidates tightens relative to demand, the theme of being a specialist recruitment provider is sharpening. Many recruitment firms could even be described as micro-niche, with an offer for employers designed to fill increasingly specialist and narrow sets of candidate criteria. Engineering remains one of the top three sectors for permanent placements. The client profile is also changing in IT and Engineering, with 60% growth in new Tech start-ups in the last year (source: Companies House new company formations 2017), creating a new client base of SMEs within these sectors.

Consultancy

Another key market trend is that recruiters are generally shifting away from a transaction-led relationship towards offering an advisory or consultancy service. This evolution of the industry sees clients wanting more value and accountability from a recruitment supplier, rather than a partner to fill roles or provide suitable candidate CVs. Clients want recruiters to provide data and insight into what roles they should procure and teams they should build, how they should procure them, how they should be positioning their company, and how they engage with the potential candidates, before eventually securing the appropriate staff. In effect, recruiters need to build longer-term sustainable relationships with business owners and senior management. The RPO market, according to market research agency Nelson Hall, is predicted to grow by 15% annually through to 2019 in line with Gattaca's growth in the same area.

Regulation

IR35 regulations relating to tax arrangements for self-employed individuals have affected organisations operating in the public sector, and have caused some disruption. Generally speaking, they have driven up the number of permanent staff in the IT sector, rather than contractors, and have also served to drive up salary rates for IT workers in the UK. In his October 2018 budget the UK Chancellor announced the Government's intention to introduce these changes to the private sector in 2020. It remains to be seen how private sector companies will react, but a similar pattern may follow, and result in more 'statement of work' projects rather than contractor hires.

Economic

Since the EU referendum, we have seen fewer EU candidates applying for positions in the UK, which may ultimately create a shortage, with more demand than supply. There is also still ongoing investment in the UK into critical national infrastructure projects, and London remains the world's foremost fintech centre. GDP growth in the USA is at a high, with major investment into US industry. There is also huge Chinese investment in the Silk Road, which is creating many engineering and technology opportunities. In our niche sectors, salaries for our candidates are rising above inflation.

Convergence

Over the past 30–40 years, we have seen mechanical and electrical systems develop and progress into processes controlled by software, and this is a continuing evolution. Where there is such overlap between engineering and technological processes, we are seeing a convergence of traditional engineering skills and newer IT skills, and a convergence of demand for specialists from our two principal sectors. The demand for technology skills is expanding across multiple sectors, including automotive, defence and infrastructure, and any form of production automation.

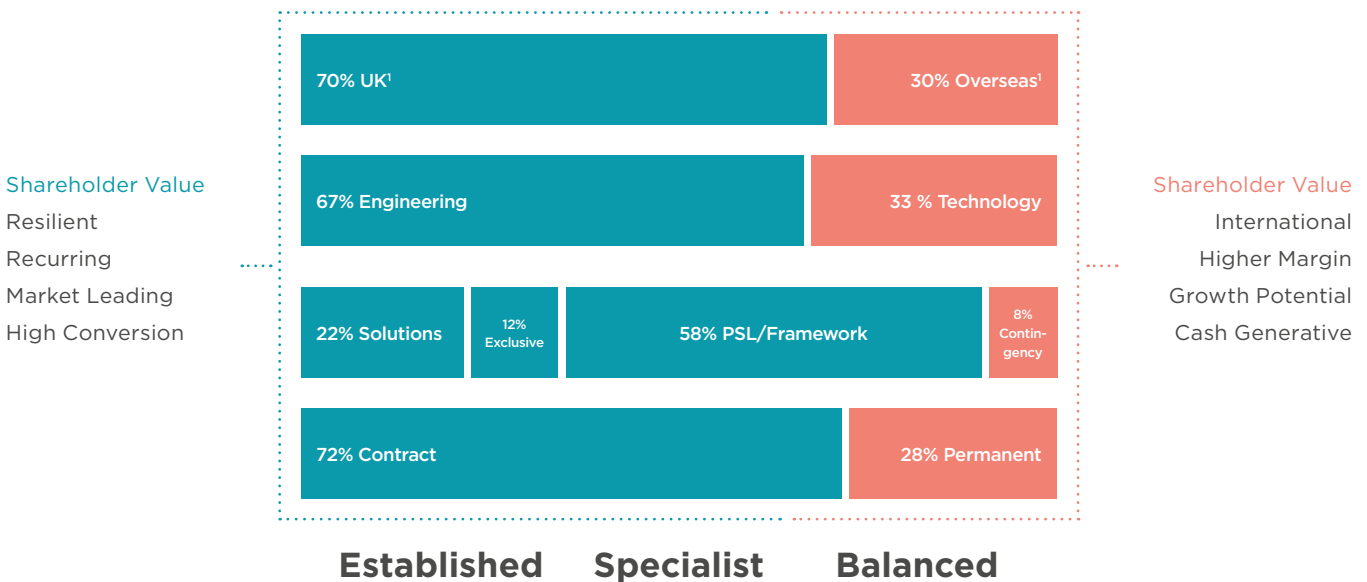


Established and balanced



Our Business Model

Net fee income contribution distribution



Note

1 Includes overseas NFI generated from the UK.

We believe the following diversifying factors combine to create a compelling proposition:

Geographical distribution

While continuing to grow our UK business, we aim to consolidate and grow business contributed by overseas markets, focusing on areas which offer significant, scalable and sustainable profit potential in the near term. This reduces our dependence on any one region.

Sector distribution

We aim to have a balanced distribution between Engineering and Technology. Both sectors offer significant growth opportunities. Presence in each provides greater resilience to downward trends in the other, and presence in both sectors helps us exploit the increasing convergence of the two.

Managed services development

We aim to increase the proportion of Group overall business provided by our Solutions and Projects business units. These include MSPs and RPOs and project-focused recruitment needs. Agreements in these areas typically last for three to five years, providing greater visibility of earnings, as well as enhanced customer loyalty and retention.

Contract versus permanent recruitment

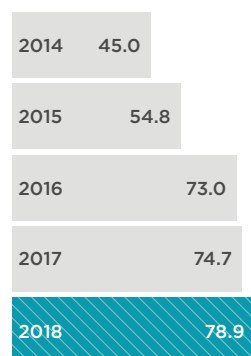
We aim to flex our blend of income that comes from contract and permanent recruitment through the cycle. Contract provides greater revenue predictability. Permanent income, though more volatile, is higher margin and less working capital intensive.



Measuring our progress

Financial

Gross profit (£m)



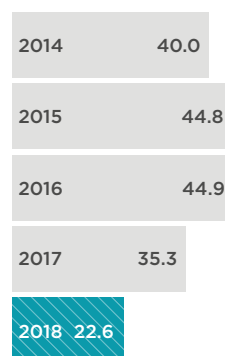
Measurement explained

Gross profit is revenue less cost of sales, predominately the sum of contract NFI and fees for the placement of permanent candidates, less any directly attributable adjustments or rebates.

Rationale

Indicates the volume of business generated throughout the year and is a prerequisite to any sustainable bottom line growth.

Underlying basic EPS (pence)



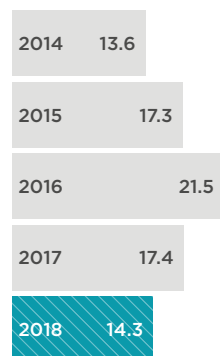
Measurement explained

The amount of profit for the year that can be allocated to one share of the Group's stock; calculated as the profit attributable to the Group's equity shareholders, divided by the average number of shares in issue throughout the year.

Rationale

A strong indication as to the underlying profitability of a Company for its shareholders.

Underlying profit from operations (£m)



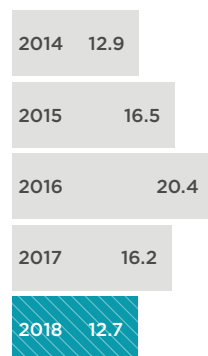
Measurement explained

Profitability of the Group before interest and taxes with adjustments for non-recurring costs, impairment and amortisations of acquired intangibles.

Rationale

Demonstrates the profitability of the Company and how efficient it is at managing its controllable cost base.

Underlying profit before taxation (£m)



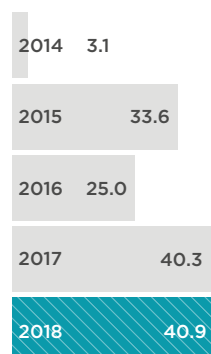
Measurement explained

Profitability of the Group before tax with adjustments for non-recurring costs, impairment and amortisations of acquired intangibles and foreign exchange differences

Rationale

Demonstrates the profitability of the Company and how efficient it is in managing its cost base, before taxation.

Net debt (£m)



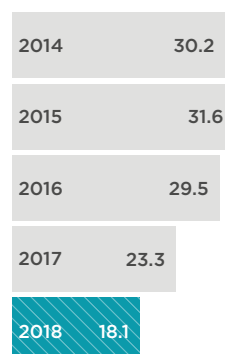
Measurement explained

Total Group debt, less any cash and cash equivalents.

Rationale

Net Debt is a key element of the Group's capital structure. After the acquisition of Networkers and the more recent acquisition of RSL, Gattaca is committed to showing a sustained reduction in net debt.

Conversion ratio (%)



Measurement explained

Underlying profit from operations expressed as a percentage of gross profit.

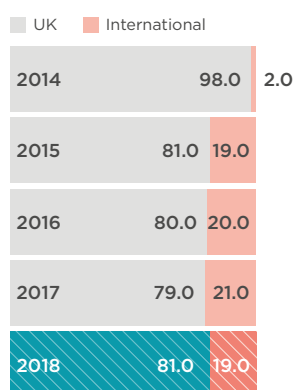
Rationale

Indicates the efficiency of fee earners in generating NFI, the company's ability to control central costs and the level of investment in future growth.



Operational KPIs

International Mix (%)



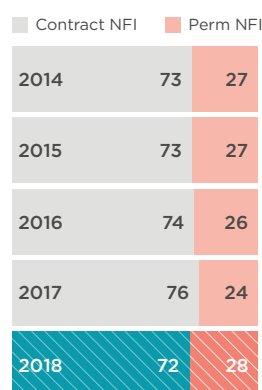
Measurement explained

Gross profit generated from business operations outside of the UK, expressed as a percentage of total Group gross profit.

Rationale

Geographic diversification spreads risk and reduces risk of reliance on any one marketplace. Gattaca is focused on international markets where we can make significant, scalable and sustainable profit in the short to medium term, while reducing exposure to businesses and territories which are characterised as lacking critical mass, declining market share, low profitability or with a high administrative burden.

NFI Mix (%)



Measurement explained

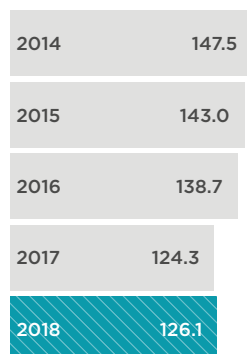
Gross profit generated through temporary contractor placements or permanent placements separated out and expressed as a percentage of total gross profit.

Rationale

Contract NFI provides better visibility of income and generates long term relationships with our clients.

Growth in permanent recruitment NFI enables the Group to benefit quickly from operational gearing.

Average NFI per sales head (£'000)



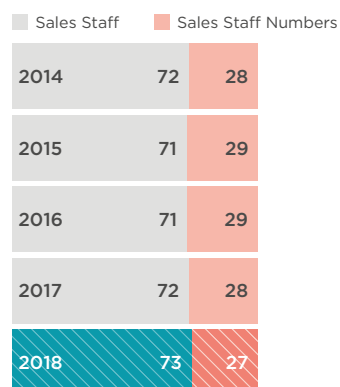
Measurement explained

NFI divided by the average annual number of sales heads.

Rationale

Indicator of staff productivity, with growth demonstrating an improved efficiency in fee earner activity or a higher percentage of fee earners at full capacity.

Staff Mix (Sales:Support)



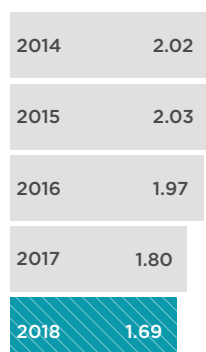
Measurement explained

The ratio of fee earning vs. operational support staff headcounts taken as an average for the year.

Rationale

Demonstrates the businesses ability to grow its NFI generating staff base faster than the staff headcount needed to support them.

NFI per £ staff cost (£)



Measurement explained

NFI divided by the annual costs of all staff in the business.

Rationale

Key staff productivity metric for Gattaca, as well as reflecting the operational efficiency of the business as a whole.

Reset to solid foundations

Salar Farzad
 Chief Financial
 Officer



Performance

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

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

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

“Working capital optimisation has been a major focus during the year.”

Underlying results

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

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

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

Underlying administrative expenses increased by 13% as follows:

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

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

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

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

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

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

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

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



Highlights

- Working capital management has been a major focus throughout the year, resulting in DSO of 52 days (2017: 55 days)
- Headcount reduction with a focus on driving efficiency
- Continued strong growth in North America, with NFI up 28% year of year
- Announced exit of underperforming businesses
- Consolidation of all UK group support into our Whiteley hub, with the Bromley office closed post year end

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

Cost actions, international footprint and Telecoms infrastructure

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

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

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

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

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

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



Chief Financial Officer's Report continued

Conversion ratio

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

Taxation

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

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

Earnings per share

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

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

Dividends paid/proposed

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

Tangible and intangible assets

Capital expenditure in the year including tangible assets and software, was £2.8m (2017: £1.5m). This included £1.4m mostly related to leasehold improvements at our Whiteley campus to bring the premises up to a reasonable standard. This is where the bulk of our UK staff are based and an appropriate working environment is critical to maintaining a motivated and productive workforce. There was also a £0.9m investment in software and software licences for our primary business systems where we are working to replace our dated in-house built legacy software with modern standardised external products.

Acquisitions

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

Net assets and shares in issue

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

Cash flow and net debt

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

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

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

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



Banking facilities and interest rate risk

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

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

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

Brexit

As with last year, the Board continues to follow developments on Brexit. The effect of Brexit on business confidence is an important factor for us to the extent it affects the UK economic environment, as noted in the Principal Risks and Uncertainties report on page 23.

IR35

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

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

Critical accounting policies

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

Group financial risk management

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

Credit risk

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

Foreign currency risk

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

2018 trading and outlook

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



Salar Farzad
Chief Financial Officer

Balanced approach to risk

“The group aims to be risk aware, but not overly risk averse.”

Risk management

The Group aims to be risk aware, but not overly risk averse. We recognise that to achieve our objectives we need to take on certain risks, but should ensure:

- the level of risk is consistent with the potential rewards; and
- that if the risk, materialises, we can manage or absorb its impact.

We are averse to risks that could:

- affect the safety of our staff, clients or contractors;
- have a negative effect on our reputation;
- lead to breaches of legal or regulatory requirements; or
- endanger the future existence of our business.

Our internal risk management staff are supported by strategic partners who provide specialist advice across multiple jurisdictions.

You can find further details in our Corporate Governance Statement on pages 36 to 41.



Our Risk Model

Board

The Board of Directors meets frequently. It incorporates the consideration of risks as a part of its decision making process.



Executive leadership

Executive management regularly reviews the risks to the business and reports to the Board.



Risk management

Strategies to mitigate key risks and their potential impact on the Group are regularly discussed and reviewed by the Board and the Executive Management Team.



Audit Committee

Reviews the effectiveness of the Group's internal control procedures and risk management systems.



Effective risk management

Our Corporate Governance Statement on pages 36 to 41 describes in detail how the Group manages its risk from Board level, through its respective Committees and throughout the Group.

The table below details each principal risk, aspects that would be affected if the risk materialised, our assessment of the current status of the risk, and how the Group mitigates it.

Key

Relative severity

● High
 ● Medium
 ● Low

Change during the year

^ Increased
 — Stable
 v Decreased



Financial

Risk	Mitigation	Status
<p>Financing</p> <p>Failure to secure adequate financing, whether to fund expansion or trading, or to finance a bad debt, would have a material effect on results. The level of contract margins, NFI conversion, the terms on which we pay and are paid, contract versus permanent balance and the speed of growth all affect the Group's ability to generate cash. Poor trading performance and/or working capital management could lead to a breach in financial covenants, leading to borrowings being called due. The lower level of underlying profitability reduces the leverage ratio headroom of financial covenants.</p>	<ul style="list-style-type: none"> We maintain serviceable levels of debt. The Group has financing facilities of £90m, comprising a £75m Invoice Financing Facility and a £15m Term Loan Facility, both committed until October 2020. We have a rigorous approach to forecasting both net debt and trading results monthly, looking forward to at least the next two covenant periods. We have a strong relationship with our bank, which is supportive of our business, and we hold regular discussions to ensure we have our bank's backing to fund strategic plans. Where we foresee material uncertainty we engage proactively with our lenders to mitigate this. We have procedures to check the creditworthiness of new clients with external agencies, regularly reviewing credit limits. The Group has a diverse mix of clients and is not financially dependent on any single client. 	
<p>Foreign exchange</p> <p>Trading across international borders raises the risk of foreign exchange differences between trading currencies, in terms of both cash and translated results. Following the EU referendum in the UK, there has been increased volatility in the value of GBP against overseas currencies, predominantly Euro and US Dollar.</p>	<ul style="list-style-type: none"> For sales denominated in foreign currency, the Group seeks to ensure associated direct costs are denominated in the same currency. The Group monitors the gap in assets and liabilities denominated in foreign currencies required to be translated into Sterling at the Statement of Financial Position exchange rate. The Group regularly exchanges surplus foreign currency to minimise the gap in assets and liabilities denominated in foreign currency. 	

Our Principal Risks and Uncertainties continued

Key

Relative severity



High



Medium



Low

Change during the year



Increased



Stable



Decreased



Market

Risk	Mitigation	Status
<p>Economic environment</p> <p>There is a correlation between the economic conditions of the countries we operate in, and the level of client and candidate confidence, affecting the level of recruitment.</p> <p>Slowing economic growth could affect our ability to maintain and grow NFI, either through reduced requirements for temporary staff, by encouraging clients not to hire permanent staff, or by encouraging clients to adopt cheaper delivery options.</p> <p>As explained last year, the specifics of a negotiated exit from the EU have increased the level of uncertainty causing retained risk as we enter the new financial year.</p>	<ul style="list-style-type: none"> • Around 72% of the Group's NFI is generated from contract business across a broad range of sectors and clients, leading to more stable business streams. • The Group expects to generate circa 19% of its NFI from its offices in overseas territories, thereby helping reduce the risk of reliance on the UK marketplace. • We have a rigorous forecasting framework and a programme of regular reviews of outcome compared to forecast, providing us with early warning signals and enabling us to recalibrate as necessary. • We continue to manage the balance between temporary and permanent business, to ensure flexibility in the face of uncertainty arising from the UK's withdrawal from the EU. 	
<p>Dependence on key clients</p> <p>Too great a dependence on one or a few clients may have a material adverse effect on the Group's cash flow should clients cease to procure or pay for services in a timely manner.</p> <p>Where a material relationship exists with clients, contract negotiations often result in cash rebates, or concessions on margin or payment terms.</p>	<ul style="list-style-type: none"> • The Group has over 800 fee-paying clients, with the largest client representing only 5.8% of Group NFI. • The Group's recently announced closure of its operations in the Middle East and Malaysia, and its withdrawal from the Contract Telecoms Infrastructure market, have reduced our dependence on key clients. • The Group continues to follow its strategy to diversify its client base and the mix of its UK and international operations. • The Group's legal team review non standard commercial contracts and adhere to clear contracting guidelines and a defined risk appetite. Where appropriate, we liaise with our insurance providers regarding onerous non-standard terms. • Insurance is managed at Group level and the Group holds appropriate levels of insurance cover, including public liability, employers' liability and professional indemnity insurance. 	
<p>Competitive environment</p> <p>The recruitment market is highly fragmented and competition is intense, placing pressure on margin and NFI. The increasing use of social media for recruitment, and a trend towards outsourced recruitment models, with associated margin pressures, can also have an impact.</p> <p>Further, the commercialisation of disruptive technology or innovation by either a current or new competitor could materially alter the recruitment sector by challenging the viability of current models and, therefore, the ability to sustain revenue and profits.</p> <p>Additionally, failure to adopt relevant technologies to improve internal operations could limit cost savings in the future.</p>	<ul style="list-style-type: none"> • The Board and Executive meet regularly to discuss and define a clear vision of the regions, sectors and skills we operate in. The Group undertakes a regular client framework review, seeking to ensure it minimises the risk of losing clients to competitors. • The Group is focusing increasingly on exclusive arrangements and new solutions. • Greater regulatory and compliance requirements in the recruitment industry are increasingly barriers to entry. • The Board's Digital Advisory sub-Committee considers the Company's response to the challenges and opportunities offered by digital transformation, both for NFI growth and improved operational efficiency. 	
<p>Shortage of skilled candidates</p> <p>The availability of highly skilled and quality candidates is essential to operating in niche or high margin markets; where a shortage of skilled resources exists within a market, clients have greater need for services from staffing solutions businesses, however where the shortage reaches extreme levels, then it may not be possible to fill vacancies</p>	<p>We differentiate from our competitors by focusing on niche sectors and offering customisable solutions on a global scale. Our consultants have a narrow and deep focus and build strong relationships with clients and candidates alike. This specialist offering enhances our ability to source the right candidates and allows us to charge the right prices for quality service.</p>	





Operational

Risk	Mitigation	Status
<p>Talent acquisition and retention</p> <p>The Group's performance, operating results and future growth depend on its ability to attract, train, develop and retain high performing individuals to meet its growth strategy. Failure to attract and retain individuals with the right skill set may adversely affect the Group's performance.</p> <p>We have had a number of significant changes to our structure including our international footprint and, in particular, we are consolidating our Bromley and London offices. As in any professional services business, a location change for staff can carry risk.</p>	<ul style="list-style-type: none"> The Group's remuneration policy sets out that the overall remuneration package should be sufficiently competitive to attract, retain and motivate executives and senior staff with the commercial experience to achieve the Group's strategy. We run an employee engagement survey, designed to capture engagement on an ongoing basis, and our employee value proposition, Evolve, provides employees a further opportunity to suggest and develop initiatives in three main areas: Develop, Wellbeing and Recognition. These initiatives provide us with feedback to focus improvements. The Group is placing a greater focus on engaging and developing talent, including through our induction programme, career development, training, performance management and succession planning. Our contracts contain appropriate notice periods and post-termination restrictive covenants, and we conduct exit interviews to understand reasons for attrition. We continue to engage and consult with employees who are affected by change, to mitigate adverse impact. 	
<p>Systems and security</p> <p>Failure to ensure our technological infrastructure remains up to date, functional and secure could increase the risk of: security breaches and attacks; an adverse effect on the Group's operations; and an inability of technology systems to support the business plan, leading to a material impact on the Group's financial results. A loss of confidential or competitive information can have an adverse impact on operations and the reputation of the Group.</p>	<ul style="list-style-type: none"> The Group is undertaking a review of its technology systems to seek the most appropriate platforms for the coming years. We are carrying out a programme of enhancements to improve or replace business systems (including those that support customer relationship management and finance), adopting modern technology platforms to ensure scalability and security. The Board's Digital Advisory sub-Committee considers the Company's response to the challenges and opportunities offered by digital transformation. We continue to address our ongoing investment in cyber security. We take a comprehensive view of cyber security and, through the use of specialist security services, have regular penetration testing of security measures to review our resilience in light of the changes and threats we face. 	
<p>Data governance</p> <p>The Group works with confidential, sensitive and personal data daily in multiple jurisdictions under a variety of laws and regulations. A material data compliance failure could expose the Group to potential legal, financial, operational and reputational risks.</p>	<ul style="list-style-type: none"> Procedures for handling and storing sensitive, confidential and personal data are in place across the Group as part of its Data Protection and IT Systems Usage policies and information security processes and procedures. All employees receive data protection training on joining the Group, and regular refresher training sessions. Specialised training is provided where required. The Group is GDPR compliant, and maintains a project team to ensure continued compliance, including increased resources in the compliance team to monitor developments in the law and manage our response as appropriate. 	
<p>Business continuity</p> <p>Our systems are key to enabling day to day operations. The loss of operating technology services from one site can lead to a loss of business continuity.</p>	<p>The Group's business continuity strategy includes a resilient infrastructure and connectivity. We continue to progress with a programme to migrate all technology services to cloud-hosted solutions, to remove the reliance on local office hardware.</p>	



Regulatory and legislative environment

Risk	Mitigation	Status
<p>Legal and fiscal compliance</p> <p>The Group operates in a number of jurisdictions, which have differing legal, tax, regulatory and compliance requirements. Failure to comply with any such legal, tax, regulatory or contractual compliance requirements could expose the Group to potential legal, financial and reputational risks.</p>	<ul style="list-style-type: none"> The Group has central legal and compliance, and tax functions, which manage the Group's compliance with its legal and regulatory obligations and monitor changes in legislation that affect our business, supported by leading external advisors as appropriate. The Group also works closely with the Recruitment and Employment Confederation (REC) to ensure it is up to date on all industry trends and best practice relating to current and emerging legislative and regulatory changes to the markets we operate in. The Group has clear policies and statements setting out the Group's zero-tolerance position on topics including Anti-Bribery and Corruption, Anti-Facilitation of Tax Evasion, and Modern Slavery. All of these core policies are referred to in our contracts of employment. Regular training, both classroom-based and online, reinforces these policies, and the associated required behaviour from employees. The Group maintains an independent whistleblowing reporting service for employees to raise any matters of concern anonymously. The Audit Committee provides governance and oversight of the Group's tax risks. 	



Strong sector expertise

Our people

Our teams reflect the collaborative capabilities of our people. This collaboration remains a strong foundation of our workforce and is evident in the way we work, not just amongst ourselves but also with our clients and candidates.

In the last year we have launched our new Employer Value Proposition (EVP). This project has been a result of successful partnership between our talent and marketing functions and we have been able to share stories of its success with our clients. What makes this a success is that the pillars that form the EVP are employee-led and as such the ideas that are implemented at Gattaca come from our people.

There are three pillars to our EVP:

Develop

Linked to our value of 'Be inspiring', this pillar represents the journey our people are on both professionally and personally at Gattaca. The past three years of our talent strategy have focused on evolving our performance management and talent development. We have launched new career paths, including dual career paths, to support those wishing to remain in more technical roles than in management. These have been well received and we encourage people to use the support we offer them to become the inspiration for our future talent. During the year we have encouraged peer learning sessions, and knowledge sharing articles on our intranet have been well liked. We have also developed a management mentoring programme at Gattaca, which will be launched early in our 2019 financial year.

Gattaca is known for its training and career development and it is evident that this is one of the top attraction points for talent coming into our business. We are also pleased to see in our employee engagement survey that 81% responded favourably to say that their manager makes use of their talents and abilities and 79% of our employees said that they were inspired to do more than what is required in their role. This is a testament to the continuous development environment we aim to foster.



Coaching strengths

People all have different strengths and development needs. One-on-one coaching allows us to tailor our training to those individual needs. We use face-to-face sessions, observation training and 'at-desk' coaching. Through this method, we have seen relatively new and inexperienced employees gain confidence in their people skills, and so be able to develop strong relationships with clients new to the business.



Kirsty Houghton
Recruitment Consultant



During this financial year we have transitioned our Talent & Performance Development team to use a more coaching style of development. Whilst our classroom-based Sales Academy remains an effective and renowned part of our development programme, our one on one coaching has achieved fantastic results. Our management coaching programme has been particularly popular, with 58% of our UK sales department managers having enrolled on the programme within the first 6 months of launch.

We have also been progressing to an 'always on' approach to performance management. During this year we have been testing this approach with our management teams globally to ensure that a roll out of a new style of performance management would fit. We have established that this approach works best when combined with a coaching style of management and we are looking forward to launching our new performance management online tool in November 2018, along with management development focused on bringing through and developing coaching skills within our management teams.

Wellbeing

Linked to our value of 'Love your job', this pillar is not just about physical, mental and financial wellbeing, it's about healthy relationships and a healthy community. We have combined these five key elements as we believe each of them contributes to how our people feel, and importantly, to their enjoyment of what they do and understanding of the value they are adding. These elements collectively drive an individual's overall success. It is clear that the Group's approach to wellbeing is a key reason why people remain at Gattaca.

Our employee engagement survey reported that 86% of our employees were proud to work for Gattaca and 88% of our respondents said that individuals in their team treated others fairly and with respect. Both of these KPIs are key measures for healthy relationships and wellbeing whilst working at Gattaca.

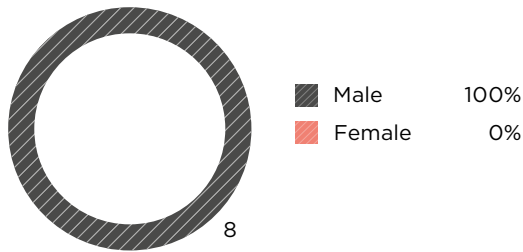


Jennie Mead
HR Director

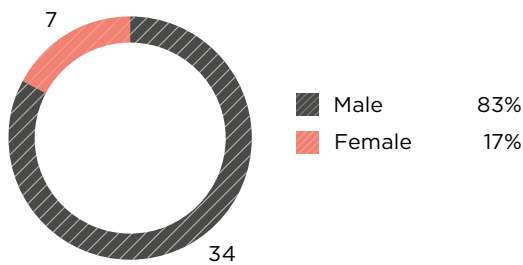


Strategic Report
Our People continued

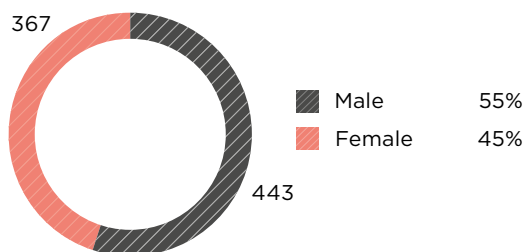
Board



Leadership



All Staff



During this year we have introduced more flexibility into our benefits offering for our talent, allowing them more choice. In the USA we launched new medical insurance options to ensure people can choose the most appropriate plans for their needs. This is a key component of our employment offering, which was put in as a result of a benefits survey.

In our UK offices, we now offer people more ways to spend their benefits allowance. Our new Lifestyle account options, gives people the freedom throughout the year to use their allowance on things ranging from traditional offerings such as healthcare and sportsclub

membership to lifestyle options such as meditation or acupuncture. We recognise that individuals relax and enjoy life in different ways.

A sales environment can be a stressful one, and we promote the importance of having the right balance in order to achieve positive wellbeing.

Recognition

Linked to our value 'Take pride' we know how important recognition is to a sales business. A key component to motivating our workforce, our recognition programmes are continually assessed and adjustments made in order to ensure our employees remain engaged with the schemes.

This is not just about the financial related schemes. We have developed a Peer to Peer feedback tool, allowing our teams to send recognition to another team member and have this stored in the Talent System.

Taking recognition and feedback further, we have had great success with our 360 degree feedback tool. Our approach is to recognise our strengths to ensure that we continue to utilise these, but also to recognise when we need to make improvements. The themes from the 360 feedback has been used to develop an internally led Management Development programme.

Recognition and celebrating success is important to the Group, but we also recognise that to deliver this means insuring the right inputs to get the results. 90% of our employees reported in our engagement survey that they understood how their work contributes to Gattaca's goals and objectives.

All of our people contribute to the bottom line. We have introduced half yearly awards to recognise the work that our Group Support functions do to support enabling NFI. There are five categories: NFI Enabler; The Collaborator; Project Professional; The Innovator; and The Role Model. Anyone can nominate an individual for these awards and we were pleased to see the significant volumes of nominations coming through for our Sales teams, showing how much the Support functions are contributing towards Sales activity.

Finally, we continue to invest in recognition initiatives that enhance levels of performance. We offer a blend of individual and team based awards, with opportunities to celebrate success with other high performers in the Group.



Engaging with our employees

Corporate responsibility and sustainability

We know our approach to doing business will affect our performance, and ability to create value over the long term. We place a great emphasis on operating responsibly and compliantly, and consider the impact on the people around us when making decisions.

We also place a great emphasis on involving our employees in this approach. During the past year we launched our Environment, Health, Safety and Wellbeing (EHS&W) Committee. The champions who have volunteered to be on this committee are all passionate about topics within EHS&W, and support the Group.

In driving forward initiatives which are part of the four pillars of our sustainability strategy: workforce, community, environment and marketplace.

Workforce

Engaging with our employees is fundamental to our Group's purpose. We launched our EVP, 'Evolve' during the year, with its three pillars; Develop; Wellbeing and Recognition. Staff have engaged most with the Wellbeing pillar, showing the importance they place on a healthy mind-set.

During the year, we continued to introduce wellbeing initiatives, including Mental Health Awareness week. Everyone from leadership level through to new starters got involved, with daily articles where employees opened up and told of their personal experiences.

Health and safety forms a critical part of our wellbeing. We collect data worldwide on our incidents, including near-misses, and encourage everyone to improve continuously, as well as promote a healthy and safe culture. We have successfully achieved a reassessment of OHSAS 18001:2007.

We continued to work on our Crisis Management Framework, assessing it regularly, and debriefing after every incident. During the year we had to use the framework for certain incidents, including the earthquake in Mexico City. We have improved our communication tools and alerts to better support the Crisis Management teams.

Community

Our 'five ways of wellbeing' include being part of a healthy community. We encourage our people to engage with their local communities. Each of our brands has a Corporate Social Responsibility (CSR) committee that supports community projects chosen by employees.

In 2018, we raised over £40,000 for our chosen charities. Examples of the community projects we were involved with include:

- Mandela Day in our South Africa office. The UN introduced Mandela Day in 2009. We celebrate it by working together to improve the lives of those in need in local communities. In August, some of our Cape Town Gattaca team devoted 67 minutes of their time (one minute for every year of Mandela's public service) to help with the Food Forward SA campaign. The team packed food parcels that were distributed to 600 beneficiary organisations.
- Friends of PICU is a charity that supports the Paediatric Intensive Care Unit at Southampton General Hospital. We are very proud to have helped raise over £24,000 this year alone, with sponsorship of a golf day, charity ball and numerous fundraising activities on site, to support critically ill local children and their families. For our work over the past 11 years, we also won best CSR Initiative award at the Recruitment International awards.
- A number of our UK team ran Race to the King, a double marathon over the South Downs for three amazing charities, Friends of PICU, DWED (Diabetics With Eating Disorders) and Parkinson's UK. As well as the marathon, they upped their fundraising totals with a day of butlering services, BBQ, raffles and silent auctions, and managed to raise over £5,700 including gift aid between the three charities.



2017 RIA Awards Best CSR Initiative



Mandela Day in South Africa

Environment

We recognise we have a clear obligation to ensure we operate in a way that minimises the impact of our operations on the environment.

We successfully had our Environmental Management System reassessed to achieve ISO 14001:2015.

We review our environmental objectives during the year and continue to focus on employee awareness, and reducing our energy consumption. One key objective is to move towards having all our offices fitted with LED lighting. Not only does this reduce energy and maintenance costs, but also improves lighting in the workplace.

During the year we worked with local groups to carry out two beach cleans on the South Coast of England.

Strategic report approval

The Strategic Report on pages 1 to 28 was approved by the Board of Directors on 7 November 2018 and signed on its behalf by:

Salar Farzad

Chief Financial Officer

Keith Lewis

Chief Operating Officer



Friends of P.I.C.U.



Cape Town team helping with Food Forward SA campaign



Committed to a culture of good governance



Patrick Shanley
Non-Executive
Chairman

I am pleased to present the Board's Annual Report on Corporate Governance. Gattaca's approach to corporate governance reflects our values and how we operate as a business.

We have developed a governance framework which is meaningful, relevant and focused on our business. It is designed to maintain our position as a strong, reputable business in the marketplace, as well as a destination employer.

Gattaca has always sought to comply with the Quoted Companies Alliance (QCA) Corporate Governance Code and certain provisions of the UK Corporate Governance Code, where appropriate for our business, on a voluntary basis.

“Gattaca’s approach to corporate governance reflects our values and how we operate as a business. We have developed a governance framework which is meaningful, relevant and focused on our business.”

In line with the London Stock Exchange's recent changes to the AIM Rules, the Board formally adopted the QCA Corporate Governance Code (the QCA Code) with effect from 10 July 2018. The Board considers that the QCA Code provides a practical corporate governance framework that will assist us in continuing to develop our governance standards in a manner that is flexible and appropriate for our business. This year's Annual Report complies with the required disclosures in the QCA Code, and we have therefore structured the report in accordance with its principles, followed by an explanation of how we comply with these.

A handwritten signature in black ink, appearing to read 'Patrick Shanley'.

Patrick Shanley
Non-Executive Chairman
7 November 2018

The right mix of skills and experience

1

Patrick Shanley

Independent Non-Executive Chairman

Appointment

December 2015

Skills and experience

Patrick has extensive boardroom experience and is currently Chairman of chemicals business, Accsys Technologies. Patrick has previously been CFO of Courtaulds and Acordis, CEO of Corsadi, Chairman of Cordenka Investments and of Finacor. Patrick began his career working for British Coal where he qualified as a chartered management accountant. He has a strong operational, restructuring, merger and acquisition background within a manufacturing environment.

2

Kevin Freeguard

Chief Executive Officer

Appointment

October 2018

Skills and experience

Kevin was appointed as Chief Executive Office on 1 October 2018. He was previously Managing Director for Verifone from 2015 to 2018. He brings extensive international and business transformation experience across multiple sectors including Financial Services, Technology and Industrial having held senior leadership positions with organisations such as De La Rue, Siemens and Motorola.



3

Salar Farzad

Chief Financial Officer

Appointment

June 2017

Skills and experience

Salar joined the company from Zodiak Media, a television production company where he was Group Chief Financial Officer from 2014 to 2016. Prior to this, Salar held financial leadership roles at Macmillan Science and Education, 2Entertain, MTV Networks International and EMI. He qualified as a Chartered Accountant with Pricewaterhouse.

4

Keith Lewis

Chief Operating Officer

Appointment

Group: July 1993

Board: September 2012

Skills and experience

Keith has worked within the recruitment industry for nearly 30 years and joined the business in 1993 as a senior consultant, before progressing to his current position. Keith is a fellow of the Institute of Recruitment Professionals.

5

George Materna

Non-Executive Deputy Chairman

Appointment

July 1984

Skills and experience

George has 40 years' experience in the recruitment industry and is the founder of the Group, having founded Matchmaker Personnel in 1984 and Matchtech Engineering in 1990, before combining the two businesses in 2002 to form Matchtech Group plc. George is a fellow of both the Institute of Recruitment Professionals and the Chartered Institute of Personnel and Development. Due to his long-standing relationship with the Group, and his material shareholding, the Board does not consider George Materna to be independent.

6

David Lawther

Independent Non-Executive Director

Appointment

June 2018

Skills and experience

David is a senior leader in the global construction industry. He was formerly CEO at ISG plc, where he grew the company to £1.6bn turnover, operating internationally in 26 countries - gaining its reputation as a world-leading fit-out specialist focused on commercial, retail & data centres. Prior to that, David was Chief Financial Officer at ISG. David has served as the Group Finance Director for Wilson Connolly Holdings, a quoted house builder. In earlier years, he worked at John Mowlem and Co plc, an international contractor. David is currently Non-Executive Chairman of Syntegra group; a professional services company. He is also a non-executive director of Ensemble Infrastructure India Ltd; a private fit-out company based in Mumbai. David is a Chartered Accountant.

7

Richard Bradford

Independent Non-Executive Director

Appointment

August 2011

Skills and experience

Richard has a background in solutions and services businesses. He was Chief Executive of AIM-listed Carlisle Group from 1997 to 2008, up to and including the merger to create Impellam Group, and subsequently Chief Executive of LPM Group. He is currently Chief Executive Officer of UK based InHealth Group, a leading provider of diagnostics and imaging services.

8

Mark Mamone

Independent Non-Executive Director

Appointment

December 2016 (Leaving the Board December 2018)

Skills and experience

Mark is Group Chief Technology Officer at Serco, and the Chief Information Officer for the UK & Europe division, and has over 30 years of experience within the IT Industry. Mark has held senior roles in a variety of organisations including British Telecommunications, Computer Science Corporation and BAE Systems.

9

Katie SelvesGroup Company Secretary and General Counsel
(not Board Director)**Appointment**

December 2017

Skills and experience

Katie was appointed as General Counsel in October 2018. With over 11 years' experience in private practice in the city of London, Katie joined the Group in 2016 as Head of Employment, and was promoted to Group Company Secretary and General Counsel in December 2017. Prior to qualifying as a solicitor, Katie worked as an HR specialist and is a chartered member of the Chartered Institute of Personnel and Development. In her role as Company Secretary, Katie advises the Board on all governance matters.





Katie Selves
Group Company
Secretary and
General Counsel

Gattaca plc is the ultimate holding company of a group of companies.

A full description of the Group's principal activities, business performance, likely future developments, principal risks and uncertainties and information on dividends is provided in the Strategic Report and is incorporated into this report by reference.

A list of principal subsidiary undertakings, and the countries in which they operate, is disclosed in Note 13 to the Financial Statements. Details on the use of financial instruments and financial risk management are included in Note 23 to the Financial Statements and are incorporated into this report by reference.

Directors

The Directors serving as at the date of this report and their biographical details are set out on pages 32 and 33. Directors' interests in shares and share options of the Company are shown in the Directors' Remuneration Report.

The directors have the benefit of an indemnity covered by insurance which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The company has granted this indemnity in favour of the directors of the Company as is permitted by Section 232-235 of the Companies Act 2006. The indemnity was in force during the full financial year up to the date of approval of the financial statements. Neither the insurance nor the indemnities provide cover where the relevant Director or Officer has acted fraudulently or dishonestly.

The Board may exercise all the powers of the Company, subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of the shareholders. Specific powers are detailed in the Company's Articles of Association, including the power to issue and buy back shares, along with the rules for the appointment and removal of Directors.

Further details of the performance and effectiveness of the Board, together with details of the election of Directors in accordance with the Company's Articles of Association, are set out in the Corporate Governance Statement on pages 36 to 41, which is incorporated into this report by reference.

Directors' conflicts of interest

Each Director is required, in accordance with the Companies Act 2006, to declare on appointment any interests that may give rise to a conflict of interest with the Company and subsequently as they arise. Where such a conflict or potential conflict arises, the Board is empowered under the Company's Articles of Association to consider and authorise such conflicts as appropriate.

Articles of Association

The Company's Articles of Association set out the Company's internal regulation and cover such matters as the rights of shareholders, the appointment and removal of Directors, the power to issue and buy back shares, and the conduct of the Board and general meetings.

A copy of the Company's Articles of Association is available on the Group's website (www.gattacaplc.com) or on request from the Company Secretary.

Amendments to the Articles of Association must be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company.

In accordance with the Company's Articles of Association, Directors can be appointed or removed by the Board or by shareholders in a general meeting. Subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of the shareholders, the Board may exercise all the powers of the Company and may delegate authorities to committees and management as it sees fit.

Details of the main Committees of the Board and their activities are contained in the Corporate Governance Statement and on pages 44 and 55.



Substantial shareholders

In addition to the Directors' interests shown in the Remuneration Report, and in accordance with Part 22 of the Companies Act 2006, the Company has been notified that the following shareholders' interests exceeded 3% of the Company's ordinary share capital in issue at the date of this report:

Shareholder	%
George Materna	24.4
Intrepid Capital Management	8.7
MMGG Acquisition Ltd	7.5
Chelverton Asset Management	6.1
Paul Raine	5.5

Corporate responsibility

The Board recognises its employment, environmental and health and safety responsibilities. It devotes appropriate resources towards monitoring and improving compliance with existing standards.

The Executive Directors have responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

Details of our commitment to operating in an environmentally responsible manner, and our social responsibilities (including charitable donations) is set out in our Corporate Governance Statement on pages 36 to 41. The Group made no donations for political purposes either in the UK or overseas during the year (2017: £nil).

Bribery

The Group has a zero-tolerance position towards bribery. Further details of our corporate culture is set out in our Corporate Governance Statement, and a copy of our Anti-Bribery and Corruption Statement is available on our website, www.gattacaplc.com.

Employees

The Board recognises that the Group's employees are vitally important to the continued success of the business, and employees are encouraged to develop their careers, including through training. Further details of how we take into account the interests of our employees is set out in our Corporate Governance Statement on pages 36 to 41.

The Group is committed to achieving equal opportunities and to complying with anti-discrimination legislation. It is established Group policy to offer employees and job applicants the opportunity to benefit from fair employment, without regard to their sex, sexual orientation, marital status, race, religion or belief, age or disability.

The Group has a culture that encourages share participation at all levels. As at 31 July 2018, approximately 30% of the Company's share capital is held by Directors, senior management and other employees.

During the year the Group operated a long-term incentive plan (LTIP), a share incentive plan (SIP) and a value creation plan (VCP).

The LTIP cascaded through the organisation, with approximately 30% of staff eligible to participate. The SIP is open to all staff.

Disabled employees

Fair and full consideration is given to applications from disabled persons having regard to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled. Opportunities for training, career development and promotion are, as far as practicable, identical for all employees. The Company consistently seeks to recruit, develop and employ suitably qualified, capable and experienced people in an environment of equal opportunity.

Policy on the payment of creditors

The Group's policy is to agree terms and conditions for its business transactions with suppliers and to endeavour to abide by these terms and conditions, subject to the supplier meeting its obligations. No one supplier arrangement is considered essential to the business of the Group.

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the Group and Company for that period. In preparing the Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group Financial Statements and IFRSs as adopted by the European Union have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and



- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Health and safety

The Group is committed to providing for the health, safety and welfare of all of its employees and has established an Occupational Health and Safety Management System that complies with OHSAS 18001:2007. The Group also has procedures in place to comply with all legal and contractual obligations relevant to the Group's activities.

Quality

The Group is ISO 9001:2015 accredited. As one of the UK's leading specialist recruitment agencies, the Group is dedicated to quality and professionalism in the pursuit of achieving customer satisfaction and commercial goals.

In order to ensure these key objectives are achieved, the Company has, in compliance with ISO 9001:2015, implemented a quality management system suitable to the needs, size and complexity of the operation. Commitment to, and compliance with, this quality management system is mandatory for all Group employees.

This quality policy, and the resultant management systems and objectives, are under constant review to ensure continual improvements in systems and performances. All interested parties are encouraged to participate in this process.

Business continuity

The Group has a robust business continuity strategy and has built a resilient infrastructure to allow the business to continue operations whilst recovering from any major disasters or incidents. The plan covers the Group as a whole, including all subsidiaries, and covers how we would keep our critical systems and processes running to ensure continuity of service, including crucially the payment of workers engaged on our clients' sites.

Disclosure of audit information

Each Director confirms that, as at the date this report was approved, and so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware and that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The Directors consider that the Group has adequate financial resources to continue operating for the next 12 months and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements.

The Directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient cash funds and borrowing facilities and can reasonably expect those facilities to be available to meet the Group's foreseeable cash requirements.

The process followed by the Group in the preparation of the Viability Statement is set out below.

Viability statement

The Board formally adopted the QCA Code with effect from 10 July 2018. Consistent with previous years, Gattaca continues to seek to comply with certain provisions of the UK Corporate Governance Code, where appropriate for our business, on a voluntary basis. In accordance with this position, and in accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the long-term prospects of the Group based upon business plans and cash flow projections for the three year period ending 31 July 2021.

The Directors considered that a three year period is appropriate for this assessment because it enables a good level of confidence due to a number of factors, including:

- the Group's considerable financial resources, including the high cash generation of its operations;
- the inherent unlikelihood of all or even most of the identified potential principal risks materialising simultaneously;
- the length of major operating contracts; and
- the Group's diverse geographical operations plus its established business relationships with many customers and suppliers throughout the world.

In forming their opinion, the Directors have performed a robust assessment of the principal risk and uncertainties facing the Group as set out on pages 21 and 23. In addition, Note 23 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.



The Directors believe that the Group has a strong balance sheet and considerable financial resources and accordingly they remain confident of the Group's long-term growth prospects, based on a diverse range of clients and suppliers across different geographical locations and sectors.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

Based upon the robust assessment of the principal risks and uncertainties facing the Group and the stress-testing-based assessment of the Group's prospects, the Directors have no reason to believe that the Group will not be viable over a longer period. However, given the inherent uncertainty involved in looking at longer time frames, the period over which the Directors consider it possible to form a reasonable expectation as to the Group's longer-term viability is three years.

Audit exemption

For the year ended 31 July 2018, Gattaca plc has provided a legal guarantee under s479A of the Companies Act 2006 to the following companies:

- Matchtech Group (UK) Limited
- Barclay Meade Limited
- Connectus Technology Limited
- Application Services Limited
- Alderwood Education Limited
- Matchtech Group (Holdings) Limited
- Gattaca Solutions Limited
- Networkers International Limited
- Networkers International (UK) Limited
- Cappo International Limited
- The Comms Group Limited
- Comms Resources Limited
- Cappo Group Limited
- Matchtech Group Management Company Limited
- Gattaca Recruitment Limited
- Provanis Limited
- Networkers Recruitment Services Limited
- Networkers International Trustees Limited
- Comms Software Limited
- Matchtech Limited
- Matchtech Engineering Limited
- MSB Consulting Services Ltd
- Resourcing Solutions Limited
- Elite Computer Staff Limited

This guarantee is dated 7 November 2018 and all the above entities have 31 July year ends.

Auditor

In December 2017, the Board proposed, and shareholders approved at the AGM, the appointment of KPMG LLP as the Company's registered independent public accounting firm for the financial year ended 31 July 2018.

Subsequent to the AGM, the Board directed the Audit Committee to undertake a competitive tender of the audit. The outcome was that PwC LLP was appointed as the Group's independent auditor, with John Minards as the senior statutory auditor. The Board has decided to propose the reappointment of PwC LLP and a resolution concerning its reappointment will be proposed at the forthcoming AGM.

Registered office

1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AF.

Registered number: 04426322

Approved by the Board and signed on its behalf by:



Katie Selves

Group Company Secretary and General Counsel
7 November 2018

Cautionary statement

Under the Companies Act 2006, a Company's Directors' Report is required, among other matters, to contain a fair review by the Directors of the Group's business through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year end, consistent with the size and complexity of the business.

The Directors' Report set out above, including the Chairman's Statement, the Chief Executive Officer's Review and the Chief Financial Officer's Report incorporated into it by reference, has been prepared only for the shareholders of the Company as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, the Directors' Report has not been audited or otherwise independently verified. The Company and its Directors and employees are not responsible for any other purpose or use or to any other person in relation to the Directors' Report.

The Directors' Report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These factors include, but are not limited to, those discussed under principal risks and uncertainties.

The principles of the QCA Code

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

We help companies realise their full people potential, providing outsourced staffing solutions and recruitment services to those operating in the engineering and technology markets.

Established in 1984, Gattaca (formerly known as Matchtech Group) has grown into an international business with more than 800 staff around the world.

The Gattaca group of companies consists of a number of specialist recruitment brands including the UK's number one engineering recruitment specialist (Matchtech) and a leading technology recruitment specialist (Networkers). You can find out more about our Group structure on our website (www.gattacaplc.com).

Our vision is to become the leading provider of outsourced solutions and specialist recruitment in our chosen markets. We share the same purpose, strategy and values across all of our brands and these influence everything we do. You can read more about our strategy on our website, and find a detailed Strategic Report (which includes details of our key challenges, principal risks and uncertainties and how we work to address these) on pages 1 to 28 of this Annual Report.

Our strategy is underpinned by our values and how we seek to operate as a business. Our recently updated Code of Professional Conduct sets out our business principles and guidance for our employees on acceptable standards of behaviour.

The Board reviews our strategy on an ongoing basis to ensure alignment to continual shareholder value in the medium to long term. This ongoing review culminates in a formal annual strategic review, which includes all of the Senior Management Team.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Board regards effective communication with shareholders as crucial and operates an ongoing investor relations programme, which includes presentations and the opportunity for shareholders to meet with members of the Executive Management Team (Chief Executive Officer, Chief Financial Officer and Chief Operating Officer) following announcement of our interim and preliminary results. The full Board receive reports on feedback from investors.

The **Investor** section of our website includes details of all our shareholder communications, in addition to an **FAQ** page and copies of our **Annual Report**, results presentations and other shareholder communications and information. We have recently introduced **webinars** of our interim and preliminary results presentations, and a **Regulatory News Alert** service.

Our Annual General Meeting (AGM) provides a further opportunity for shareholders to communicate directly with the whole Board, either formally during the meeting, or informally afterwards.

The Chairman met with a number of our key shareholders in April and is always available to discuss any concerns with shareholders. It is our intention that the Chairman will meet with key stakeholders throughout the course of the year.

Contact details of those responsible for investor relations appear on our **Advisors and Registrars** webpage. This also includes contact details of our Company Secretary, who is available for contact by shareholders on matters of governance.



Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Aside from our shareholders, our clients, candidates, suppliers and employees are our most important stakeholders, which reflects our **purpose** to engage our staff, promote our candidates and delight our staff.

Employees

We believe that our employees are key to our success and a highly motivated workforce is good for all stakeholders. We communicate with our employees on a constant basis, via formal means at our end of quarter presentations and annual appraisals, and on an informal basis via regular team and department meetings, and leadership briefings. In addition, our Senior Management Team is visible throughout the business, hot-desking in all UK offices and visiting overseas offices, providing further opportunities for informal feedback. We conduct an employee engagement survey, which is designed to capture engagement on an ongoing basis via weekly questions. The Board review this feedback regularly and has implemented new initiatives and changes as a result including, for example, the launch of new career paths.

During our 2018 financial year, we also launched our Employer Value Proposition, Evolve, which provided employees a further opportunity to suggest and develop initiatives in three core areas: Develop, Wellbeing and Recognition. The Board supported a number of these new initiatives, including activities during Mental Health Awareness Week and a dedicated incentive programme for our Group Support employees.

Clients

Clients provide feedback informally via their day-to-day communications with us as part of our service delivery. For our managed service clients, we conduct quarterly business reviews to consider our performance and service, identify and discuss trends and feedback, and to address the medium and long-term needs of the client. We have a structured escalation process for queries, and our complaints procedure will be utilised for any significant issues. We also conduct a bi-annual client survey, the results of which are provided to the Board for consideration and direction, as appropriate.

Feedback from clients is discussed weekly by the Senior Management Team and reported to the Board, as appropriate, via an Operational Report that is prepared and circulated in advance of all Board meetings.

Candidates and contractors

As with clients, our candidates and contractors provide feedback informally via their day-to-day communications with us as part of our service delivery. We conduct a bi-annual Voice of the Workforce survey to assess industry trends and candidate needs. The results of all feedback is monitored for trends and we have implemented initiatives arising from this feedback, including the increased use of microsites to highlight specific clients and projects in response to feedback requesting more dedicated information on opportunities.

Suppliers

We expect our suppliers to support the principles of the UN Global Compact, which is committed to 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. We have recently reviewed our **Anti-Bribery and Corruption Statement**. We expect all suppliers to comply with our **Modern Slavery Statement**.

The Company, primarily through the Chief Financial Officer and General Counsel, review periodically our key suppliers, including our banks, insurance companies and payroll suppliers.

Social responsibilities

We are proud of our commitment to providing support to the community through a number of charitable activities. During our 2018 financial year, the Group made charitable donations of £40,399 and participated in a number of non-financial charitable events, including events supporting the clear-up of the Mexico City earthquake, and beach cleans. We continually address our environmental impact and adhere to the Environmental Management System ISO 14001:2015. We are a corporate member of, and active participant in activities organised by, the Recruitment and Employment Confederation (REC) in which we receive and provide feedback on the recruitment industry and our areas of specialism.



Corporate Governance Statement continued

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

Effective risk management and a sound control environment are essential for us to deliver our strategic priorities. Ultimate responsibility for risk management rests with the Board, but day-to-day management of risk is delivered through the way we do business and our culture. Opportunities and threats are assessed using a 'top down' and 'bottom up' approach, taking into account the views of the Board and Senior Management Team, and those of each business function as regards the risks relevant to their area.

The Board is responsible for establishing and maintaining the Company's system of internal financial control and places importance on maintaining a strong control environment. The key procedures that the Directors have established with a view to providing effective internal financial control are as follows:

- Our organisational structure has clear lines of responsibility.
- Our comprehensive annual budget is approved by the Board. Monthly results are reported against the budget and variances are closely monitored by the Directors.
- The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate courses of action to manage these risks.

This framework of internal controls is designed to meet the Group's particular needs and aims, facilitate efficient and effective operations, safeguard the Group's assets, ensure proper accounting records are maintained, and ensure that financial information used within the business and for publication is reliable. Such a system of internal control can only be designed to manage and mitigate, rather than eliminate, risk, and provide reasonable but not absolute assurance against material misstatement and loss. The effectiveness of our framework of internal financial controls is monitored and assessed by the Senior Management Team, Audit Committee and the Board.

With regard to non-financial controls, we have clearly defined standards covering our business activities, which are outlined in written policies including our Code of Professional Conduct, and Anti-Bribery and Corruption Policy which all employees are required to comply with. We continue to review the effectiveness of our internal controls via our compliance framework. During our 2018 financial year, this included reviewing and updating a number of key Group policies, clarifying and communicating a revised Delegation of Authority matrix, updating our standard terms of business, and improving guidance for employees on the Group's risk appetite in

“Effective risk management and a sound control environment are essential for us to deliver our strategic priorities.”

relation to commercial contracts. We also conducted a formal internal audit of our South Africa business, and operational reviews of our US, Mexico, Middle East and Asia businesses. The Group continues to invest in its dedicated legal and compliance function to ensure compliance on legal and regulatory aspects of trading in the UK and internationally.

The Board confirms that there is a continual process for identifying, evaluating and managing risks, but recognises that continual improvement in this area is a key objective for the business.

Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The Board regularly reviews the composition of the Board, with proposals coming from the Nominations Committee to the Board for its consideration. At the date of this report, the Board has five Non-Executive Directors, including the Chairman. The Board considers the independence of the Board annually to determine independence from management on the basis that the Directors have no business or other relationship that could interfere materially with the exercise of their judgement. Due to his long-standing relationship with the Group, and his material shareholding, the Board does not consider George Materna to be independent. The composition of the Board as at the date of this report therefore comprises four independent Directors and four non-independent Directors (including Executive Directors).

The Board is satisfied with the current balance between Executive and Non-Executive Directors, which allows it to exercise objectivity in decision making and proper control over the Group's business.

Under the Company's Articles of Association, all Directors must retire at the first AGM following their appointment and may offer themselves for election or re-election by shareholders. In accordance with best practice, all Directors will retire at the AGM and, being eligible, will offer themselves for election or re-election.



The following table sets out the attendance of each Director at Board meetings held during the year:

	Maximum meetings	Meetings attended
Patrick Shanley	13	13
Brian Wilkinson ¹	6	6
Salar Farzad	13	13
Keith Lewis	13	12
George Materna	13	13
Ric Piper ²	13	11
Richard Bradford	13	12
Roger Goodman ³	13	13
Mark Mamone ⁴	13	13
David Lawther ⁵	3	3

Note

- 1 Resigned from the Board 7 February 2018.
- 2 Resigned from the Board 31 July 2018.
- 3 Resigned from the Board 31 July 2018.
- 4 Resigning from the Board December 2018.
- 5 Appointed to the Board 1 June 2018.

The Board approves a business plan and annual budgets for individual business units and the Group. All Directors receive regular and timely information on the Group's operational and financial performance, including detailed Executive and Operational Board reports which are provided in advance of all Board meetings and which report on performance against the agreed budget and any significant variances. We report to our shareholders on a half-yearly basis. Forecasts for the Group are updated and reviewed by the Board regularly. Members of the Senior Management Team regularly present at Board meetings to provide detailed information on their business units and central functions and to allow an opportunity for Directors to review and assess matters requiring decision or insight.

The Board has three established committees for Audit, Nominations and Remuneration, and a Digital Advisory sub-committee which addresses opportunities offered by digital transformation. The committees have Terms of Reference, which are reviewed at least bi-annually by the Board, and revised as deemed necessary and appropriate. The Terms of Reference of all committees were reviewed during the 12 months prior to the date of this report. Copies of the Terms of Reference are available on the Group's website or on request from the Company Secretary.

The Board may, on occasion, delegate authority to a sub-committee consisting of any two Directors to facilitate final sign-off for an agreed course of action within strict parameters. The responsibilities and operation of the Audit, Nominations and Remuneration committees are set out in detailed reports in the following pages.

All Executive Directors are engaged on a full time basis. Non-Executive Directors have letters of appointment stating their annual fee, their re-election at forthcoming

AGMs, the minimum required time commitment and that their appointment is subject to satisfactory performance. Their appointment may be terminated with a maximum of six months' written notice at any time. Copies of letters of appointment are available at the Group's registered office during normal business hours, and will also be available for inspection prior to and during the AGM.

The remuneration of the Chairman and Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association, including reviewing the level of fees paid by comparator companies. The Chairman and Non-Executive Directors do not participate in any meeting at which discussions in respect of matters relating to their own position takes place.

There are effective procedures in place to monitor and deal with conflict of interest. The Board is aware of the other commitments and interests of its Directors, and Directors are required to report any changes to these commitments and interests to the Board for discussion and, where appropriate, agreement. There were no notified conflicts of interest during the 2018 financial year.

Principle 6: Ensure that, between them, the directors have the necessary up-to-date experience, skills and capabilities

The Nominations Committee regularly reviews the skills, experience and capability of the Board to ensure an appropriate balance. The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities, including experience of the recruitment, technology and international markets. The Chairman discusses any training and development requirements with Board members on an individual basis as part of the Board evaluation process outlined below.

Directors are regularly briefed on new regulations which affect the business through presentations arranged by our advisors and our leadership team. During the year we specifically covered, new accounting updates (Audit Committee), GDPR, Governance Codes (Full and QCA) Anti-Bribery and Corruption and AIM rules. They are also encouraged to remain up to date through independent seminars and CPD courses.

The Board recognises the importance of diversity in its broadest sense is an essential element in maintaining Board effectiveness and a competitive advantage. Diversity of skills, background, knowledge, international and industry experience, and gender will be taken into consideration when seeking to make new appointments to the Board and its committees. All appointments will be made on merit, taking into account suitability for the role, composition and balance of the Board to ensure that the Company has the appropriate mix of skills, experience, independence and knowledge.



Corporate Governance Statement continued

The Group receives advice from a number of external advisors. Specific advisors to the Board Committees are set out in the Committee Reports at pages 44 to 55. During the year, the Board received specific advice on the structuring of its finance arrangements and the Remuneration Committee received advice on specific projects.

The Company Secretary advises the Board, through the Chairman, on all governance matters. All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties. In accordance with the Articles of Association and the Group Delegation of Authorities Policy, the appointment and removal of the Company Secretary is a matter for the whole Board.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Chairman conducts annual performance appraisals of the Executive Directors, supported by monthly 1:1 meetings. The Chairman also undertakes Board effectiveness discussions with all Non-Executive Directors on a regular basis: considering the effectiveness and relevance of their contributions, any learning and development needs, and the level of scrutiny and challenge of the Senior Management Team. The Board is satisfied with the performance of each individual Director and the Board as a whole, but recognises that independent evaluation of the effectiveness of its performance is important. The Board undertakes a formal internal evaluation process on an annual basis, with an external evaluation every three years. The Board intends to undertake a formal evaluation process, facilitated by an external provider, during the 2019 financial year.

As a people orientated business, succession planning is embedded into our culture in our career plans and performance evaluation process, and we have adopted a succession planning model that not only looks at the individual's competencies but also the future strategic fit in order to make sure we have the right leadership bench for now and the future. The Executive Directors, along with all of our Senior Management Team, participate in 360-degree reviews.

The Board, via the Nominations Committee, regularly reviews the experience, skills and capabilities of the Directors to ensure an appropriate balance. The Nominations Committee, assisted by an external executive search agency, primarily manages appointments to the Board but all Board members have the opportunity to meet shortlisted candidates, thus ensuring a wide range of feedback in the appointment process.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

Our corporate values and behaviours are set out in our Code of Professional Conduct, which is provided to new employees on joining the Group, and which all employees are required to review on an annual basis. This Code of Professional Conduct is underpinned by clear Group policies and statements setting out the Group's zero-tolerance position on topics including Anti-Bribery and Corruption, Anti-Facilitation of Tax Evasion, and Modern Slavery. All of these core policies are referred to in our contracts of employment. Regular training, both classroom-based and online, reinforces these policies, and the associated required behaviours from employees. Employees are encouraged to raise any matters of concern via our internal whistleblowing procedure, or by telephone or online via our independent Speak Up reporting service.

Our Senior Management Team are visible throughout the business, hot-desking in all UK offices and visiting overseas offices, thus providing the opportunity to experience and address any behaviours that may be at odds with the Group's values and culture.

We assess employees against our values and culture at performance reviews as part of our competency framework, and the discretionary nature of our commission scheme endorses our commitment to upholding our Code of Professional Conduct.

The Board receives regular updates on matters of corporate culture via the Executive Report, compliance updates to the Audit Committee (including details of matters raised via the Speak Up reporting service, as appropriate) and regular presentations from the Group HR Director and General Counsel. We rotate Board meetings throughout our main UK offices, providing the opportunity for Non-Executive Directors to experience the working culture and to gain greater understanding of all areas of the Group's business.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Led by our Non-Executive Chairman, the Board is responsible for the Group's overall strategic direction and management, and for the establishment and maintenance of a framework of delegated authorities and controls to ensure the efficient and effective management of the Group's operations. The Group Executive concentrates on operational performance, operational decision making and the formulation of strategic proposals to the Board. The Board determines how the Chief Executive Officer operates within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size and type, are undertaken only after Board review.



"We assess employees against our values and culture at performance reviews as part of our competency framework, and the discretionary nature of our commission scheme endorses our commitment to upholding our Code of Professional Conduct."

Further detail as to the role of the Chairman, Chief Executive Officer and Non-Executive Directors, together with details of the matters reserved for the Board, is available on the **Role of the Board** page of our website. Copies of the Terms of Reference for our Audit, Nominations and Remuneration Committees are available on the Group's **website** or on request from the Company Secretary.

We recognise there is always room for improvement, and are committed to continual enhancement of our overall governance framework in line with best practice.

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Detailed reports of the work of our Board Committees appear on pages 42 to 53 of this Report.

We release the results of general meetings through a regulatory news service and post a copy of the announcement on the Regulatory News section of our website. The Investors section of our website includes our historical Annual Reports, as well as all other governance-related material, including notices of our Annual General Meetings for the last five years.

The Group considers that it has complied with the disclosure requirements set out in the QCA Code.



Katie Selves

Group Company Secretary and General Counsel
7 November 2018



Matters reserved for the Board

- Approval of interim, preliminary and final financial statements, including approval of the interim dividend and recommendation of the final dividend.
- Approval of investor presentations, all circulars to shareholders and press releases concerning matters decided by the Board.
- Approval of any significant change in accounting policies or practices.
- Consideration of proposals from the Audit Committee on recommendations for appointment or removal of independent auditors and their remuneration.
- Approval of the Group's commercial strategy and annual operating and capital expenditure budget.
- Changes relating to the Group's capital structure or its status as a plc.
- Appointments to the plc Board and the Boards of subsidiaries including the appointment or removal of the Company Secretary.
- Consideration of proposals from the Remuneration Committee on the terms and conditions of Board members, Executive Directors and senior management.
- Changes to the Group's management and control structure, including membership of Executive Committee.
- Consideration of material contracts of the Group in the ordinary course of business that would affect current banking arrangements.
- Formulation of policy regarding charitable and political donations.
- Approval of significant prosecution, defence or settlement of litigation.
- Oversight of internal control arrangements
- Ensuring the Group has an adequate business continuity policy.
- Oversight of the Group's health and safety policy.

Corporate Governance
Audit Committee Report



David Lawther
Chairman of the
Audit Committee

I am pleased to present the Audit Committee's (the Committee) Annual Report on its activities for the period up to the review of 2018 Financial Statements.

This report is intended to explain how the Committee has met its responsibilities throughout the year and what it has done to address continued regulatory change.

Of importance to note although a non cash item, the company has made a significant impairment charge of £33.3m to the goodwill and intangibles arising from the acquisition of Networkers in 2015. This reflected the reduced activity from elements of the Networkers business units going forward.

Save the appointment of new independent auditors and a restatement of the 2017 Group's Cash Flow Statement, from a 'business as usual' perspective, there is nothing to bring to your specific attention.

As Chairman of the Committee, I will be available at the Annual General Meeting (AGM) to respond to any questions shareholders may raise on any of the Committee's activities.

Aims and objectives

The Committee monitors the integrity of the interim and annual Financial Statements and formal announcements relating to the Group's financial performance, including advising the Board that the Annual Report taken as a whole is fair, balanced and understandable.

It reviews significant financial reporting issues and accounting policies and disclosures in financial reports, reviews the effectiveness of the Group's internal control procedures and risk management systems and considers how the Group's internal audit requirements shall be satisfied, making recommendations to the Board.

It reviews the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and Interim Financial Statements.

“The Committee provides oversight and guidance to contribute to the ongoing good governance of the business.”

Membership of the Committee

During the year to 31 July 2018, the Committee comprised Ric Piper (Chairman), Roger Goodman, Mark Mamone and David Lawther, who joined the Committee in June 2018.

Ric Piper, who became a member and Chairman in 2006, and Roger Goodman, who became a member in February 2017, both stepped down on 31 July 2018. The Committee thanks Ric and Roger for their contributions.

On 1 August 2018 David Lawther was appointed Chairman.

Ric Piper qualified as a Chartered Accountant in 1977. The Board considered him to have recent and relevant financial experience.

David Lawther qualified as a Chartered Accountant in 1983. The Board considers him to have recent and relevant financial experience.

The Board considers that the Committee as a whole has competence relevant to the sector in which the Group operates.

Meetings and attendance

The Committee met four times during the year.

	Maximum meetings	Meetings attended
Ric Piper	4	4
Roger Goodman	4	2
Mark Mamone	4	4
David Lawther	1	1

The Executive Directors are routinely invited to Committee meetings, with the Chairman of the Board attending the meetings at which the Interim and Annual results are reviewed.



During the period from the last report to the date of this report, the Committee met privately with the independent auditor. The Committee Chairman also met privately with the senior statutory auditor (John Minards) outside of the Committee meetings.

Operation of the Committee

The Committee reviews and updates the Terms of Reference regularly, to conform to best practice, which are subject to approval by the Board. The Terms of Reference are available on the Group's website (www.gattacaplc.com), as well as in hard copy format from the Company Secretary.

Each year, the Committee works to a planned programme of activities, which are focused on key events in the annual financial reporting cycle and other matters that are considered in accordance with its Terms of Reference.

It provides oversight and guidance to contribute to the ongoing good governance of the business, particularly by providing assurance that shareholders' interests are being properly protected by appropriate financial management, reporting and internal controls.

In addition to the appointment of new auditors, the main activities of the Committee during the period since the last Report were as follows:

- Financial Statements: the Committee reviewed the Interim and Annual Reports. Management and the auditor gave presentations about the key technical and judgemental matters relevant to the Financial Statements.
- Financial Reporting Council (FRC): Following a tentative committee decision of the IFRIC in March 2018, after publication of the Group's 2017 Annual Report, the FRC raised questions on the Company's presentation on cash flows. The Committee with the Company reviewed the FRC recommendations and concurred it was appropriate to change its cash flow presentation. Details of the restatement are shown in Note 1 to the Financial Statements on page 72. The restatement has no impact on the Group's net debt which remains as originally reported.
- Going concern, including the Viability Statement: the Group continues to prepare its Financial Statements on a going concern basis, as set out in Note 1 to the Financial Statements on page 69. Management produces working capital forecasts on a regular basis, together with half-yearly covenant forecasts. The Board reviews forecasts, particularly ahead of the publication of Interim and Annual results. Having reviewed the forecasts as at the date of this report, the Committee concluded that it was appropriate for the Group to continue to prepare its Financial Statements on a going concern basis and to publish the Viability Statement on pages 34 and 35.

- Taxation: the Group operates under multiple and varied tax regimes. The completeness and valuation of provisions to cover the range of potential final determinations by the tax authorities of the Group's tax positions are the subject of judgement. Further information is set out in Notes 9 and 14 to the Financial Statements. The provisions held by the Group were reviewed by management as at 31 July 2018. The Committee agreed with management's assessment of the Group's tax provisions. The Committee reviewed the Group's Tax Strategy which, following approval by the Board, was published on 23 July 2018.
- Fair, balanced and understandable: the content and disclosures made in the Annual Report are subject to a verification exercise by management to ensure that no statement is misleading in the form and context in which it is included, no material facts are omitted which may make any statement of fact or opinion misleading, and implications which might be reasonably drawn from the statement are true. The Committee was satisfied that it was appropriate for the Board to approve the Financial Statements and that the Annual Report taken as a whole is fair, balanced and understandable such that it allows shareholders to assess the Group's performance against the Group's strategy and business model.
- Internal financial control systems: the Committee reviewed the recommendations made by the independent auditor and management's responses and actions. The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the Corporate Governance Statement.
- Internal audit: during the year, the Group undertook a number of internal audit and compliance reviews, both of financial and operational activities, including as part of its International Organization for Standardization (ISO) accreditations (see page 36). As part of the Committee's policy, certain specialist internal audit work was undertaken by external organisations. As the Group further develops its global compliance and risk management frameworks (see 'Risk management and control' on page 23 during 2018/19, the portfolio of internal audit reviews will expand beyond the current and continuing financial and operational reviews. We will continue to use specialist external organisations as necessary, including for the Group's international operations.

The Chairman of the Committee reported to the Board on the Committee's activities after each meeting, identifying relevant matters requiring communication to the Board and recommendations on the steps to be taken.



Audit Committee Report continued

Significant issues

The Committee reviewed the key judgements applied to a number of significant issues in the preparation of the Financial Statements. The review included consideration of the following:

Issue	How the Committee address it
Revenue recognition and recoverability of accounts receivables	<p>The Group has well developed accounting policies for revenue recognition – see Note 1 to the Financial Statements. The Committee receives reports from management and from the independent auditors to ensure that the policies are complied with across the Group.</p> <p>The Board receives regular reports on the collectability of aged accounts receivables and accrued income.</p> <p>On the basis of these reports, the Committee concluded that it was content with the judgements that had been made.</p>
Goodwill and intangibles: assessment for impairment	<p>As set out in Notes 1 (parts x and xxvi) and 11 to the Financial Statements, following the acquisition of Networkers in 2015, the Group has significant goodwill and amortised intangibles.</p> <p>The acquisition of Resourcing Solutions Limited in February 2017 further increased the Group's goodwill and amortised intangibles; information is set out in Note 11 to the Financial Statements.</p> <p>Goodwill and intangibles impairment calculations (including assumptions about future performance) and sensitivities are undertaken at least annually by management and reviewed by the Board and the Committee.</p> <p>Based on the calculations as at 31 July 2018, while reflecting the decisions arising from the companies detailed review of operations, the Committee agreed with management's recommendation that an impairment charge of £33.3m should be made in connection with Professional Services and the acquisition of Networkers.</p>

This year, the Committee also considered a number of other matters, including the accounting for and disclosure of non-underlying items (see Notes 1 viii and Note 3 to the Financial Statements).

Shareholders' attention is drawn to the section titled 'Respective responsibilities' in the Report from the Independent Auditor on page 54, about specific areas as reported by the Independent Auditor in order to provide its opinion on the Financial Statements as a whole.

Independent auditor: audit tender and re-appointment

The appointment of the independent external auditor is approved by shareholders annually. The Independent Auditor's audit of the Financial Statements is conducted in accordance with International Standards on Auditing (UK and Ireland) (ISAs), issued by the Auditing Practices Board.

There are no contractual obligations that act to restrict the Committee's choice of external auditor.

In December 2017, the Board proposed, and shareholders approved at the AGM, the appointment of KPMG LLP as the Company's registered independent public accounting firm for the financial year ended 31 July 2018.

Subsequent to the AGM, the Board directed the Committee to undertake a competitive tender of the audit. The incumbents KPMG LLP, the other three Big 4 Firms and one other audit firm were asked to tender. The outcome was that PwC LLP was appointed as the Group's independent auditors, with John Minards as the senior statutory auditor.

The Committee thanks KPMG LLP, who had been the independent auditors since the year ended 31 July 2011.

This year, having considered the effectiveness and performance of the independent auditor (including reviewing the Financial Reporting Council's Audit Quality Inspection report on PwC LLP issued in June 2018), the Committee has recommended to the Board the reappointment of PwC LLP as independent auditor of the Company for the next financial year.



Independent auditor: services, independence and fees

The independent auditor provides the following services:

- A report to the Committee giving an overview of the results, significant contracts and judgements and observations on the control environment.
- An opinion on the truth and fairness of the Group and Company Financial Statements.
- An internal control report, following its audit, highlighting to management any areas of weakness or concern.

The Committee monitors the cost effectiveness of audit and any non-audit work performed by the independent auditor and also considers the potential impact, if any, of this work on independence. It recognises that certain work of a non-audit nature may be best undertaken by the independent auditor as a result of its unique position and knowledge of key areas of the Company.

Approval is required prior to the independent auditor commencing any material non-audit work in accordance with a Group policy approved by the Committee. Certain work, such as providing bookkeeping services and taxation planning advice, is prohibited.

Further, the Committee seeks positive evidence of the independence of the independent auditor through their challenge to management.

The Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in Note 3 to the Financial Statements. Of the non-audit fees of £nil (2017 £204,000), 0% (2017: 92%) arise from tax compliance services.

The Committee concluded that the level of non-audit fees, which represent 0% (2017: 75%) of the audit fees for the Group, did not have a negative impact on PwC's independence.

The Committee will continue to keep the area of non-audit work under close review, particularly in the context of developing best practice on auditors' independence.

The Committee regulates the appointment of former employees of the independent auditor to positions in the Group. The independent external auditor also operate procedures designed to safeguard its objectivity and independence. These include the periodic rotation of the senior statutory auditor, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff.

The independent external auditor reports to the Committee on matters including independence and non-audit work on an annual basis.

Evaluation of the Committee

During the year the Committee evaluated its performance, including receiving input from the Chairman of the Board on the Committee's performance.

Approval

This report was approved by the Committee, on behalf of the Board, on the date shown below and signed on its behalf by:



David Lawther

Chairman of the Audit Committee
7 November 2018

Nominations Committee Report



George Materna
Chairman of the
Nominations
Committee

I am pleased to present to the shareholders the report of the Nominations Committee (the Committee) for the year.

The Committee's focus for this year again has been to ensure the structure and experience of the board is suited to meet the opportunities and challenges facing the Group going forward.

As announced on 19 April 2018, Roger Goodman and Ric Piper stepped down from their Non-Executive roles.

Matt Mamone has announced his resignation as a Non-Executive Director and will leave the Board in December 2018.

Roger came onto the Board at the Networkers acquisition, he was the Networkers Chairman, and has made a sound contribution from that day.

Ric has been a stalwart of the Non-Executive team as Audit Committee Chair since our flotation in 2006 and has played a significant part in our governance.

On behalf of the Board I would like to thank them both for their intelligent contribution to the business over those years and wish them the very best in the future.

David Lawther was appointed to the Board as a Non-Executive Director on 1 June 2018 and brings a sound financial background and bounds of UK and Overseas management experience to the business. David will take on the role of Chairman of the Audit Committee.

Brian Wilkinson exited the business on 7 February 2018 and we wish him the very best in the future.

A full and proper process to recruit a new CEO, engaging The Inzito Partnership to provide independent search advice, was commenced in the Spring.

An announcement was made on 19 September 2018 that Kevin Freeguard would become the new CEO commencing on 1 October 2018.

“Key activities during the year have been in reviewing the composition and required experience of, and approving changes to, the Board and its Committees.”

Kevin, a previous Managing Director of Verifone and De La Rue Solutions brings strong management ability with extensive international expertise across numerous sectors. He has a demonstrable track record of business transformation, turnaround and ability to drive change in complex businesses. In addition, he is adept at developing high performing teams and building strong relationships with customers and business partners. We look forward to working with him.

The Committee continues to review succession planning and Board composition.

Aims and objectives

The aims and objectives of the Nominations Committee are set out in the Nominations Committee's full Terms of Reference, which can be found in the Corporate Governance section on the Company's website, www.gattacaplc.com.

In summary, the role of the Committee is to:

- review the structure, size and composition of the Board, and make recommendations to the Board with regard to any changes required to ensure an appropriate balance of skills, expertise, knowledge and independence;
- review the succession plan for Executive Directors and other Senior Executives (heads of function);
- identify and nominate, for Board approval, candidates to fill Board and Senior Executive (heads of function) vacancies as and when they arise;
- review annually the time commitment required of Non-Executive Directors; and
- make recommendations to the Board with regard to membership of the Audit and Remuneration Committees in consultation with the Chair of each committee.



Composition

The Committee comprised its Chair, George Materna, and Patrick Shanley and Richard Bradford, both Independent Non-Executive Directors, who have been members of the Committee since 2006, 2017 and 2013 respectively.

Meetings and attendance

The Committee met twice during the year.

	Maximum meetings	Meetings attended
George Materna	2	2
Patrick Shanley	2	2
Richard Bradford	2	2

Nominations Committee activities

The key activities during the year have been in reviewing the composition and required experience of, and approving changes to, the Board and its Committees.

The Committee recommended the appointment of David Lawther to the Board as a Non-Executive Director, and commenced a formal recruitment process for the role of Chief Executive Officer. For each of these appointments, the Committee undertook an extensive selection process to find suitable candidates, taking into account the Board's Diversity Policy, and utilised the assistance of an independent executive search firm, The Inzito Partnership, which has no other connection with the Company.

Priorities for the coming year

In the coming year, the Committee will:

- continue to monitor the composition and effectiveness of the Board and its Committees;
- continue to review succession plans for the Board and key leadership roles; and
- keep abreast of developments in corporate governance to ensure that we act in the spirit of good governance practice.

Diversity policy

The Board recognises the importance of diversity in the boardroom in its broadest sense as an essential element in maintaining Board effectiveness and a competitive advantage.

Diversity of skills, background, knowledge, international and industry experience, and gender will be taken into consideration when seeking to make new appointments to the Board and its Committees.

All appointments will be made on merit, taking into account suitability for the role, composition and balance of the Board to ensure that the Company has the appropriate mix of skills, experience, independence and knowledge.

Information and training

All Directors have access to the advice and services of Katie Selves, the Group General Counsel and Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is an agreed procedure for Directors to obtain independent professional advice, paid for by the Group.



George Materna

Chairman of the Nominations Committee

7 November 2018

Remuneration Committee Report



Richard Bradford
Chairman of the
Remuneration
Committee

On behalf of the Board, I am pleased to present the Remuneration Committee's (the Committee) report for the year ended 31 July 2018.

The Company has published a statement to advise that the Group will comply with the QCA Corporate Governance Code and as highlighted on page 36 the Company is moving its annual reporting in line with this code. In this context the Committee has revised the Directors Remuneration Report to reflect this approach. We hope this disclosure remains informative and useful for investors. This report will be put forward to Shareholders on an advisory basis at our AGM on 5 December 2018.

We remain committed to our strategy of being the leading specialist engineering and technology recruitment group, focusing on international markets that offer significant, sustainable and scalable profits. The main objective of the Committee is to ensure that the Company's Policy:

- attracts, motivates and retains Executives in order to deliver the Group's strategic goals and business outputs; encourages and supports a high performance sales and service culture;
- adheres to the principles of good corporate governance and appropriate risk management; and
- aligns Executives with the interests of shareholders and other key stakeholders.

Business context and remuneration outcomes for 2018

The 2018 full year results of the Group show like for like NFI 1% up on prior year (adjusted to exclude the acquisition impact of RSL), and adjusted profit before tax 25% lower than prior year.

As a result, the remuneration outcomes for 2018 were that base salaries remained unchanged, zero bonuses awarded and no LTIPs granted during 2018.

CEO Arrangements

The former CEO, Brian Wilkinson, left the Group during 2018. The leaver arrangements for Brian are outlined in the Implementation of Policy in 2018 within this report.

Kevin Freeguard has now been appointed as the new CEO of Gattaca plc. The remuneration arrangements are in line with approved Remuneration Policy. Details outlined in the Implementation of Policy in 2019 within this report.

Implementation of Policy in 2018/2019

We remain committed to a remuneration policy that rewards high individual performance to drive improved results. The Group has undergone a significant review of its structure, territories and cost base, which we reported on during August and September.

In the next year, the orientation of annual bonuses is strongly geared towards leading this substantial change programme with the primary goal of maintaining overall Group performance through growth in the remaining areas of the business as we pull out of business that does not deliver sustainable growth.

As a company that operates in a cyclical environment, when it is faced with a challenging year it outlines the importance of having the right Remuneration Policy in place. The Committee intends to review its Remuneration Policy during 2019 to ensure that it continues to motivate and reward for performance for a sustainable business. We intend to put a revised Policy to an advisory shareholder vote at the 2019 AGM.

We are committed to hearing, and taking active interest in, your views as shareholders. If you want to discuss any further aspect of our remuneration strategy I would welcome your views, at Executive.office@gattacaplc.com.

On behalf of the Committee and Board,

Richard Bradford
Chairman of the Remuneration Committee
7 November 2018

"The remuneration outcomes for 2018 were that base salaries remained unchanged, zero bonuses awarded and no LTIPs granted during 2018."



Directors' Remuneration Policy

Gattaca's Remuneration Policy was approved on an advisory basis with 99.98% votes in favour at the 2016 AGM. There have been no changes to the Remuneration Policy, please see last year's report for the full Policy.

Note that it is the intention to review arrangements in 2019 and to put a new Policy to a shareholder vote on an advisory basis at the 2019 AGM.

Implementation of policy in 2018

This 2018 Annual Report on Remuneration contains details of how the Company's Policy for Directors was implemented during the financial year ended 31 July 2018.

1. Executive Director remuneration

Single figure remuneration table (Audited information)

The remuneration of Executive Directors, showing the breakdown between components with comparative figures for the prior financial year, is shown below:

		Base salary £'000	Higher duties allowances ² £'000	Taxable benefits ³ £'000	Bonus £'000	Long-term incentives ⁴ £'000	Pension £'000	Total
Brian Wilkinson ¹ (Chief Executive Officer)	2018	300	-	20	-	-	31	351
	2017	300	-	16	-	-	30	346
Keith Lewis (Chief Operating Officer)	2018	200	30	13	-	-	22	265
	2017	200	-	15	-	17	26	258
Tony Dyer ⁵ (Chief Financial Officer)	2018	-	-	-	-	-	-	-
	2017	299	-	13	-	-	17	329
Salar Farzad ⁶ (Chief Financial Officer)	2018	220	33	11	-	-	26	290
	2017	31	-	2	30	-	3	66

Notes

- 1 Brian Wilkinson resigned 7 February 2018. Base salary includes a payment of £75,000 in lieu of notice.
- 2 Higher Duties allowance paid in respect of additional responsibilities taken on during the period from Brian Wilkinson's resignation to the appointment of Kevin Freeguard.
- 3 Taxable benefits comprise car benefits and private medical insurance.
- 4 Long-term incentives vesting relate to the performance in the financial year. See details on long-term incentive values on page 54.
- 5 Tony Dyer resigned 9 June 2017.
- 6 Salar Farzad appointed 9 June 2017.

Fixed Remuneration

No increases to fixed remuneration were applied in 2018. Benefits and pensions were applied in line with policy.

Annual bonus outcomes for the financial year ending 31 July 2018 (Audited information)

For 2018, the Executive Directors' maximum bonus opportunity was 120% of salary. The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director.

Performance measure	Weighting (% of maximum bonus opportunity)	Threshold performance target (0% of performance measure maximum opportunity earned)	Target level of performance	Maximum performance target (100% of performance measure maximum opportunity earned)	Actual performance outcome	% of performance measure maximum opportunity earned
Underlying profit before tax (PBT)	75%	£17.4m	£20.1m	£21.6m	£12.7m	0%
Net fee income (NFI)	25%	£80.0m	£87.8m	£92.3m	£78.9m	0%

No bonuses were paid to Executive Directors as expected, given the Group's trading performance in the year.

Corporate Governance
Remuneration Committee Report continued

1. Executive Director remuneration continued

Long-term incentives vesting for performance related to financial year ending July 2018

LTIP awards were granted on 11 February 2016 and are due to be released on 11 February 2019. These awards were granted subject to the achievement of certain EPS targets which were measured over three financial years ending 31 July 2018. The table below summarises these awards:

	Number of nil cost options granted	Performance measures	Performance targets	Performance outcome	Number of awards vesting	Value of awards shown in the single figure table
Keith Lewis	12,632	100% EPS performance	Note 1	0%	-	-

Note

1 At 7% p.a. + RPI, 33% vests. At 14% p.a. + RPI, 100% vests. Due to the EPS performance targets not being met no share options will vest on 11 February 2019.

Due to the maximum limits on dilution of shares, the Committee determined that no LTIP awards were to be granted in 2018.

SIP awards granted in 2018 (Audited information)

During the year, the Group operated a share incentive plan (SIP) for Executive Directors and all staff. Under the scheme, staff are entitled to buy shares in the Company out of pre tax salary. Staff can invest up to a maximum of £1,800 per annum, which will be used to purchase shares. The Group will award one free share for every share that is purchased.

Staff will receive matching shares at the end of a three year holding period, subject to remaining employed within the Group and the shares they bought remaining in the plan throughout the holding period. The table below details the shares bought and matching shares awarded to the Executive Directors during the year.

Director	Purchased	Matching shares awarded
Brian Wilkinson ¹	-	-
Keith Lewis	1,290	382
Salar Farzad	-	-

Note

1 Resigned 7 February 2018.

Payments to past Directors for loss of office (Audited information)

A payment of £92,000 in lieu of notice was paid to Brian Wilkinson, comprising of base salary, car allowance and pension contributions. No payment was made in respect of any bonus and unvested LTIP grants lapsed.

There were no other payments made to a past Director or for loss of office.

Implementation of Remuneration Policy in 2019

The Committee has determined that fixed remuneration for the current Executive Directors will remain the same as that of 2018.

For the coming financial year, the Executive Directors remuneration will operate in line with the existing remuneration policy. Maximum annual cash bonus opportunity will be equal to 100% of salary. Maximum LTIP awards for the coming year will be 50% of base salary. The performance measurements of the LTIP will be based 50% on EPS growth and 50% on relative TSR.

The Committee determined to set the remuneration for the new CEO, Kevin Freeguard, at the appropriate level for the current size and market cap of the company, with opportunity to increase this with solid performance.



2. Non-Executive Director remuneration policy and letters of appointment

Remuneration policy table

The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is determined by the Committee and recommended to the Board.

The Non-Executive Director Remuneration Policy remains the same as reported in the 2017 Annual Report.

3. Non-Executive Director remuneration (Audited information)

Single figure remuneration table

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below:

Director		Fees £'000	Other benefits £'000	Total £'000
Patrick Shanley	2018	100	-	100
	2017	100	-	100
George Materna	2018	51	-	51
	2017	51	-	51
Ric Piper ¹	2018	56	2	58
	2017	56	1	57
Richard Bradford	2018	51	-	51
	2017	46	-	46
Rudi Kindts ²	2018	-	-	-
	2017	51	-	51
Roger Goodman ¹	2018	46	-	46
	2017	46	-	46
Mark Mamone ³	2018	50	-	51
	2017	31	-	31
David Lawther ⁴	2018	8	-	8
	2017	-	-	-

Notes

- 1 Resigned 31 July 2018.
- 2 Resigned 31 July 2017.
- 3 Resigning December 2018.
- 4 Appointed 1 June 2018.

Fees to be provided in 2019 to the Non-Executive Directors

The Board has determined that no increase will be applied to the current Non-Executive fee in 2019.

Fee component	2019 £'000	2018 £'000	% change
Chairman fee	100	100	-
Non-Executive Director base fee	46	46	-
Senior Independent Director fee	5	5	-
Committee Chairman fee (Audit and Remuneration Committees)	5	5	-
Committee member fee (Audit and Remuneration Committees)	-	-	-

Remuneration Committee Report continued

4. Directors' shareholding and share interests**Shareholding and other interests at 31 July 2018 (Audited information)**

Directors' share interests are set out below. From 2017, in order that their interests are aligned with those of shareholders, Executive Directors are encouraged to build and maintain a personal shareholding in the Company equal to 200% of their base salary.

Director	Shareholding at 31 July 2018		Interests in shares under the LTIP (nil cost options)		SIP awards (matching shares)	
	Number of beneficially owned shares ⁶	% of salary held ⁷	Total interests subject to conditions	Total vested interests unexercised	Total interests subject to conditions	Total interests at 31 July 2018
Brian Wilkinson ¹	180,199	75%	-	-	-	180,199
Salar Farzad	-	-	-	-	-	-
Keith Lewis	411,883	258%	74,320	-	5,743	491,946
Patrick Shanley	15,000	-	-	-	-	15,000
George Materna	7,877,405	-	-	-	-	7,877,405
Ric Piper ²	-	-	-	-	-	-
Richard Bradford	-	-	-	-	-	-
Rudi Kindts ³	-	-	-	-	-	-
Mark Mamone ⁴	-	-	-	-	-	-
Roger Goodman ²	80,143	-	-	-	-	80,143
David Lawther ⁵	-	-	-	-	-	-
Total	8,564,630		74,320	-	5,743	8,644,693

Notes

1 Resigned 7 February 2018.

2 Resigned 31 July 2018.

3 Resigned 31 July 2017.

4 Resigning December 2018.

5 Appointed 1 June 2018.

6 Beneficial interests include shares held directly or indirectly by connected persons. These also include partnership shares held under the SIP.

7 % of salary held calculated using the share price on 31 July 2018, being 125.5 pence.

There have been no changes between 31 July 2018 and the date that this report was signed.

5. Considerations by the Committee of matters relating to Directors' remuneration in 2018

The Committee determines and agrees with the Board the Policy for the Chairman of the Board, the Executive Directors and other management team members, and approves the structure of, and targets for, their annual performance-related pay schemes. It reviews the design of share incentive plans for approval by the Board and shareholders, and determines the annual award policy to Executive Directors and Management Board members under existing plans.

Within the terms of the agreed Policy, the Committee determines the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director and senior leadership member. It also reviews and notes the remuneration trends across the Group. The Committee's full Terms of Reference are available on the Company's website, www.gattacaplc.com.

Members of the Committee during 2018	Independent	Number of meetings held	Attendance (% of meetings held)
Richard Bradford (Chairman)	Yes	2	100%
Ric Piper	Yes	2	100%
Roger Goodman	Yes	2	100%
David Lawther ¹	Yes	N/a	N/a

Note

1 David Lawther joined the Committee on 1 June 2018, as the last meeting was held on 25 April 2018 no meetings were attended during the year.



5. Considerations by the Committee of matters relating to Directors' remuneration in 2018 continued

During the year, there were two Committee meetings. The matters covered at each meeting included 2018 bonus scheme, LTIP scheme, 2018 salary review budget proposal, Remuneration Committee advisors and senior management remuneration plans for 2019.

All Committee members attended all meetings that took place while they were members. None of the Committee members has any personal financial interest (other than as a shareholder) in the decisions made by the Committee, conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

The Chairman, Chief Executive Officer, Chief Financial Officer and HR Director may attend meetings at the invitation of the Committee, but are not present when their own remuneration is being discussed. The Committee is supported by the HR Director, finance and company secretariat functions.

The Committee received external advice in 2018 from PwC. PwC is considered by the Committee to be objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of all the services provided during the year by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services. Following the appointment of PwC as the Company's Auditors, the Committee undertook a Remuneration Consultant Tender Process and for the coming financial year the Committee will change provider to Willis Towers Watson.

The total fee paid to PwC in respect of services to the Committee during the year, prior to their appointment as auditors, was £10,000. The fee was determined based on the scope and nature of the projects undertaken for the Committee.

6. Statement of voting

The 2018 Directors' Remuneration Report will be put forward to shareholders on an advisory basis at the next AGM.

This report was approved by the Committee, on behalf of the Board, on the date shown below and signed on its behalf by:



Richard Bradford

Chairman of the Remuneration Committee

7 November 2018

Independent auditors' report to the members of Gattaca plc

Report on the audit of the financial statements

Opinion

In our opinion, Gattaca plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 July 2018 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Statement of Changes in Equity, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Cash Flow Statements; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

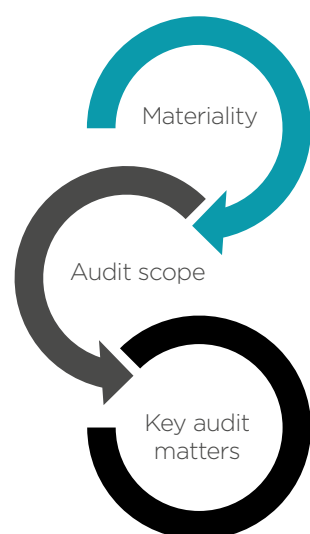
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Materiality

- Overall Group materiality: £660,000, based on approximately 5% of underlying profit before tax.
- Overall Company materiality: £1,030,000, based on 1% of total assets.

Audit Scope

- 88% of the Group's revenue is accounted for by operating units where we performed audits of their complete financial information. 93% of the Group's underlying profit before taxation is accounted for by the 5 operating units where we performed audits of their complete financial information. In combination with the other work referred to above, together with additional procedures performed at Group level, including testing of significant journals posted within the Group consolidation and significant adjustments made to the Financial Statements, this gave us the evidence we needed for our opinion on the Financial Statements as a whole.

Key Audit Matters

- Risk of fraud in revenue recognition – permanent and contract (Group).
- Risk of fraud in revenue recognition – Gattaca projects (Group).
- Recoverability of trade receivables and accrued income (Group).
- Goodwill and acquired intangible asset impairment assessments (Group).
- Costs excluded in determining underlying profit (Group).



The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

Risk of fraud in revenue recognition – permanent and contract (Group)

Refer to page 42 (Audit Committee Report) and Note 1 vii (Summary of significant accounting policies), and Note 1 xxiv (Summary of significant accounting policies) and Note 2 (Segmental information) to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates.

There is a degree of judgements specifically around year-end cut-off and accruing for income, particularly in respect of the time worked by contractors that has not been processed in the Group's financial systems.

There also may be an incentive for consultants to record more placements or not remove unplaced contractors in order to receive commissions or to meet bonus targets.

The audit risk includes both of the above aspects. We determined that this specifically impacts the occurrence and pre-year end cut-off assertions.

How our audit addressed the key audit matter

We performed the following procedures to address the risk that revenue had been recorded fraudulently:

- We assessed the design and implementation of key controls around all streams of revenue recognised;
- We tested the occurrence of revenue journals posted through the year using a combination of data auditing techniques and corroborating of sales transactions to third party documentation;
- We tested the accrued income associated with work performed by contractors before the year end, by agreeing the amounts to timesheets submitted after year end;
- We tested a sample of credit notes post year end to identify where revenue recognised during the year has been subsequently reversed;
- We considered the appropriateness and accuracy of any cut-off adjustments processed by considering the start date of permanent placements and the term of a temporary placement with reference to the year-end date, as well as any central adjustments recorded to align weekly country reporting with the Group's year-end date; and
- We evaluated whether revenue has been recognised in accordance with IAS 18 'Revenue' and with Gattaca's accounting policy by reviewing details of the Group revenue recognition policy, the application of this, and any significant new contracts.

During the audit management have corrected a misclassification within the income statement identified during our work, which impacted revenue but had no impact on gross profit. There were no material issues identified by our testing of revenue recognition during the period.



Independent auditors' report continued to the members of Gattaca plc

Key audit matter

Risk of fraud in revenue recognition – Gattaca Projects (Group)

Refer to page 42 (Audit Committee Report) and Note 1 vii (Summary of significant accounting policies), to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates.

Gattaca Projects accounts for approximately 1% of revenue however these projects are different in nature to the primary revenue stream and pose the risk of being loss making as Gattaca are "on risk" for certain performance obligations. There may also be incentive for management to recognise further costs to increase revenue recognised on cost plus basis contracts.

How our audit addressed the key audit matter

In order to test the revenue recognised, we performed the following procedures:

- We assessed the design and implementation of key controls around all streams of revenue recognised;
- We tested the occurrence of revenue journals posted through the year using a combination of data auditing techniques and corroborating of sales transactions to third party documentation;
- We assessed whether associated assets held on the Consolidated Statement of Financial Position (work in progress and accrued income) are recoverable and whether contract loss provision should be recorded;
- We agreed a sample of contracted revenue to original signed customer documentation and validated significant revenue milestones to supporting customer correspondence;
- For significant new contracts, we read the key contract terms and for ongoing contracts, we understood any change clauses or amendments agreed in the year, considering whether any areas were subject to interpretation or dispute.

During the audit management have corrected a misclassification within the income statement identified during our work, which impacted revenue but had no impact on gross profit. There were no material issues identified by our testing of revenue recognition during the period.



Key audit matter**Recoverability of trade receivables and accrued income (Group)**

Refer to page 42 (Audit Committee Report) and Note 1 vii (Summary of significant accounting policies) and Note 15 (Trade and other receivables) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates.

At 31 July 2018, the Group had gross trade receivables and accrued income balances of £111,267,000 (2017: 112,005,000) and provisions of £1,547,000 (2017: 1,028,000) included in note 15.

The recoverability of trade receivables, accrued income and the level of provisions for bad debts are considered to be a key risk due to the pervasive nature of these balances to the financial statements, and the importance of cash collection with reference to the working capital management of the business.

How our audit addressed the key audit matter

In order to test the recoverability of trade receivables and accrued income, we performed the following procedures:

- Requested confirmations for a sample of client receivable balances in certain locations;
- Where a response to our request was not received, we sought to agree the relevant trade receivables balances to post year-end cash receipts;
- Where neither a response nor cash had been received post year-end, we performed alternative procedures by agreeing amounts recorded to supporting timesheets approved by the customer and agreed rate cards;
- We also discussed and assessed the reasons the amounts that were not yet paid with Gattaca's local management teams.
- We also evaluated the Group's credit control procedures and assessed the ageing profile of accrued income and trade receivables, focusing on older items. We challenged management as to the recoverability of a sample of unprovided amount in excess of 90 days overdue, corroborating management explanations with underlying documentation and correspondence with the customer. We also challenged management as to whether the methodology applied in determining bad debt provisions appropriately reflected the level of risk in the total receivables balance with consideration given to individual counterparty credit risk, applications of credit insurance and the general economic conditions in each jurisdiction; and
- Verified that invoices had been raised against accrued income balances subsequent to the year end and validated any reasons for delays

We did not encounter any issues through these audit procedures that indicated further provisioning against accrued income and trade receivables was required.

Based upon the above, we are satisfied that management had taken reasonable judgements that were materially supported by the available evidence in respect of trade receivable and accrued income balances.

Independent auditors' report continued
to the members of Gattaca plc

Key audit matter

Goodwill and acquired intangible asset impairment assessments (Group)

Refer to page 42 (Audit Committee Report) and Note 1 x (Summary of significant accounting policies) and Note 11 (intangible assets).

Management conduct an annual impairment assessment to test whether the carrying value of goodwill and acquired intangible assets exceeds the present value of the cash flows of the Cash Generating Units (CGUs) to which they relate.

We focused our assessment on all five CGU's, which have a goodwill and acquired intangible assets carrying value of £14,719,000 (2017: £50,730,000). An impairment charge of £33,320,000 has been recognised against the International, Professional Services and UK Technology Business Units.

For the International and UK Technology CGUs, the Directors considered that lower than expected growth, adverse economic conditions or an inability to achieve the planned results could reasonably be expected to give rise to an impairment charge in the future. These reasonably possible changes have been disclosed in Note 11.

How our audit addressed the key audit matter

We have considered the change in defined CGUs; in the year, to reflect the separable reporting of the UK and International elements of the business.

We assessed management's impairment testing relating to the four CGUs with goodwill balances by obtaining the supporting model and assessing the methodology used and key assumptions made:

- Future cash flow forecasts: we evaluated the reasonableness of future cash flow forecasts based on management's historical accuracy of forecasting and our knowledge of the businesses;
- Discount rates: to assess the discount rates used in the model, we used an internally developed range of acceptable discount rates for valuing CGUs, which is based on our view of economic indicators. The discount rate used fell within the range expected for all territories; and
- Long term growth rates: we compared the rates applied in the model against our own internally developed rates.

No issues were noted.

To assess the International, Professional Services and UK Technology impairment charges, we:

- Compared the future cash flow forecasts to historical performance and considered them appropriate based on our knowledge of the business;
- We recalculated the impairment charge and confirmed that this had been accounted for appropriately.

For all CGUs, we performed sensitivity analysis around the key assumptions in order to ascertain the extent of change in those assumptions required individually or collectively to result in an impairment of goodwill or acquired intangible assets. For those business units which were most sensitive, we discussed the basis for these cash flows, for example, NFI growth rates with senior management concluding that these are appropriate with no impairment required.

We reviewed disclosures in the accounts and considered these appropriate based on the results of the assessment.



Key audit matter**Costs excluded in determining underlying profit (Group)**

Refer to page 42 (Audit Committee Report), Note 1 viii (Summary of significant accounting policies) and Note 3 ((Loss)/Profit from operations) and Note 25 (Alternative performance measures).

We focused on this area because IFRS does not define which items may be excluded from operating (loss)/profit to determine underlying operating profit and it therefore requires judgement around the justification for such exclusion. Consistency in identifying and disclosing items to be excluded from underlying operating profit is important to maintain comparability of the results year on year.

In 2017, these costs related primarily to the acquisition of Resourcing Solutions Limited ('RSL') and subsequent integration, as well as business restructuring activity, with provisions being recorded in the Statement of Financial Position.

In 2018, these costs continue to primarily relate to integration and business restructuring costs. We have focused on the nature of the costs to ensure appropriate classification and disclosure as non-underlying or underlying.

How our audit addressed the key audit matter

We have assessed the costs that have been included as non-underlying by performing the following procedures:

- Compared the costs recognised in the current year to those recognised in 2017 and challenged where the costs are either inconsistently treated year on year, or appear underlying in nature;
- Agreed the accuracy and classification of amounts disclosed in non-underlying to supporting evidence, on a sample basis.
- Reviewed the disclosures made in respect of non-underlying costs and the impacts to the Consolidated Income Statement, specifically distinguishing between non-underlying and underlying.

We found the accounting, in all material respects, to be in accordance with Group policies.

Independent auditors' report continued
to the members of Gattaca plc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has 28 operating units which fall into three reporting segments, namely UK Engineering, UK Technology and International.

Of the Group's 28 operating units, we performed audits of complete financial information at 4 operating units in the UK and 1 reporting unit in the US due to their financial significance to the Group.

In addition, we performed analytical procedures on the remaining 23 operating units to understand key balances and transactions in the year and performed additional procedures on any unusual balances identified.

All testing was performed by the group engagement team with no component teams utilised. Local PwC teams are engaged to perform statutory audits in Dubai, South Africa, Mexico and Malaysia for entities which are not significant components.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£660,000	£1,030,000
How we determined it	Approximately 5% of underlying profit before tax.	1% of total assets.
Rationale for benchmark applied	Underlying profit before tax is disclosed on page 63. We believe that underlying profit before taxes is the primary measure used by shareholders and other users of the financial statements in assessing the performance of the Group, and that by excluding items such as goodwill impairment charges and non-underlying costs, to the extent that they are significant, it provides a clearer view on the performance of the underlying business.	We believe that total assets are an appropriate metric for assessing the Company as it holds the investment instruments of the Group and intercompany positions with subsidiaries. We applied a lower materiality of £627,000 to certain line items, account balances and disclosures that were in scope for the audit of the Group Financial Statements.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £627,000 and £300,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £33,000 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.



Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described within this report.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors' report continued to the members of Gattaca plc

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Directors' remuneration

The Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

John Minards (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
7 November 2018



Consolidated Income Statement For the year ended 31 July 2018

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

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

Earnings per ordinary share

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

Underlying profit after taxation

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

Underlying earnings per ordinary share

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

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

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

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



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

A) Group

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

Statements of Changes In Equity continued
for the year ended 31 July 2018
B) Company

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



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

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

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present the parent Company's Income Statement. The parent Company's profit of £4,670,000 (2017: £6,278,000) for the year is shown in Note 8 of the Financial Statements. The accompanying notes on pages 73 to 106 form part of these financial statements.

The financial statements on pages 63 to 102 were approved by the Board of Directors on 7 November 2018 and signed on its behalf by:

Salar Farzad
Chief Financial Officer



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

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

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



Notes Forming Part of the Financial Statements

1 The Group and Company Significant Accounting Policies

i The business and address of the Group

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

ii Basis of preparation of the Financial Statements

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

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

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

iii Going concern

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

iv New standards and interpretations

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

New standards in issue, not yet effective

IFRS 15 'Revenue from contracts with customers'

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

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

The following major revenue streams have been assessed as follows:

Temporary placements

Revenue from temporary placements is recognised at the point in time when a candidate provides services. The Group has assessed its use of third party providers to supply candidates under the agent or principal criteria and has determined that it is the principal on the grounds that it retains primary responsibility for provision of the services. Under IFRS 15, the timing and amount of revenue recognition is expected to be materially unchanged, with no impact expected on retained earnings on 1 August 2018.



Notes Forming Part of the Financial Statements continued

1 The Group and Company Significant Accounting Policies continued

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

Permanent placements

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

Provision of engineering services

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

Transition

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

IFRS 9 'Financial Instruments'

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

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

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

Classification and measurement

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

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

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

Impairment

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



1 The Group and Company Significant Accounting Policies continued

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

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

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

Hedging

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

Transition

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

IFRS 16 'Leases'

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

Adoption of IFRS 16 is expected to result in changes to the Group's Consolidated Financial Statements. Under IFRS 16, certain lease commitments could be accounted for 'on-balance sheet', with recognition of a lease liability and corresponding right-of-use assets. Under IFRS 16, the operating lease charge would be replaced by a depreciation charge that, whilst lower over the life of the lease than the current operating lease charge, is not expected to be materially different. Rental expenses will also be accounted for as finance costs rather than within operating expenses.

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

Forthcoming requirements

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

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

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

Notes Forming Part of the Financial Statements continued

1 The Group and Company Significant Accounting Policies continued

v Basis of consolidation

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

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

Acquisition-related costs are expensed as incurred.

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

Put options over equity of subsidiary companies

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

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

vi Restatement of consolidated cash flow statement prior period comparatives

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

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

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

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



1 The Group and Company Significant Accounting Policies continued

vii Revenue

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

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

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

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

viii Non-underlying items

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

Items which are included within this category include:

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

ix Property, plant and equipment

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

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

Motor vehicles	25.0%	Reducing balance
Fixtures, fittings and equipment	12.5% to 33.3%	Straight line
Leasehold improvements	Over the period of the lease term	Straight line

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

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

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

Notes Forming Part of the Financial Statements continued

1 The Group and Company Significant Accounting Policies continued

x Intangible assets

Goodwill

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

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

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

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

Customer relationships

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

Trade names and trademarks

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

Software and software licences

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

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

Other

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

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

xi Disposal of assets

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



1 The Group and Company Significant Accounting Policies continued

xii Operating lease agreements

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

xiii Taxation

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

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

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

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

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

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

xiv Pension costs

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

xv Share-based payments

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

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

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

Notes Forming Part of the Financial Statements continued

1 The Group and Company Significant Accounting Policies continued

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

xvi Business Combinations Completed Prior to Date of Transition to IFRS

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

xvii Financial assets

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

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

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

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

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

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

xviii Financial liabilities

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

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



1 The Group and Company Significant Accounting Policies continued

xix Financial instruments

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

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

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

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

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

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. directly from prices); and

Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs)."

xx Cash and cash equivalents

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

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

xxi Provisions

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

xxii Dividends

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

Notes Forming Part of the Financial Statements continued

1 The Group and Company Significant Accounting Policies continued

xxiii Foreign currencies

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

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

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

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

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

xxiv Equity

Equity comprises the following:

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

xxv Alternative performance measures

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

xxvi Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

The directors are of the opinion there are no critical accounting judgements.



1 The Group and Company Significant Accounting Policies continued

Key sources of estimation uncertainty

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

Provisions in respect of recoverability of trade receivables

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

Valuation of goodwill and intangible assets

Goodwill and intangible assets (including acquired intangibles) are tested for impairment on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimate to be made of the recoverable amount of the cash-generating unit to which the assets are allocated, including forecasting future cash flows of each cash-generating unit and forming assumptions over the discount rate and long-term growth rate applied. These assumptions are set out in Note 11.

2 Segmental Information

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

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

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



Notes Forming Part of the Financial Statements continued

2 Segmental Information continued

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

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

Largest customers

No single client contributed more than 10% of the Group's revenues (2017: none).

All revenues are derived from contract and permanent recruitment services in the Private and Public Sectors.

3 (Loss)/Profit from Operations

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

The aggregate auditors' remuneration was as follows:

	2018 £'000	2017 £'000
Fees payable for the audit of the Parent Company Financial Statements	10	10
Fees payable for the audit of the Subsidiary Company Financial Statements	255	263
Total auditors' remuneration	265	273
Non-audit services:		
Taxation	-	188
Other services pursuant to legislation	-	16
Total non audit services	-	204



3 (Loss)/Profit from Operations continued

Non-underlying items were as follows:

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

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

4 Particulars of Employees

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

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

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

The aggregate payroll costs of the above were:

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

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

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

5 Finance Income

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

Notes Forming Part of the Financial Statements continued

6 Finance Costs

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

7 Dividends

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

8 Parent Company Profit

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

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

9 Taxation

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

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



9 Taxation continued

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

	2018 £'000	2017 £'000
(Loss)/profit before tax	(24,859)	11,508
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19.0% (2017: 19.7%)	(4,723)	2,267
Expenses not deductible for tax purposes	4,220	103
Effect of share-based payments	(12)	(190)
Irrecoverable withholding tax	1,389	1,976
Overseas losses not recognised as deferred tax assets	132	57
Difference between UK and overseas tax rates	146	271
Total tax charge excluding adjustments in respect of prior periods	1,152	4,484
Adjustments to tax charge in respect of previous periods	1,065	100
Changes in UK tax rates	-	(424)
Total tax charge for period	2,217	4,160
Tax charge recognised in other comprehensive income:		
	2018 £'000	2017 £'000
Deferred tax recognised directly in equity	(211)	(121)
Total tax recognised in other comprehensive income	(211)	(121)

Future tax rate changes

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

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

Reconciliation of statutory to underlying tax charge:

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

10 Earnings per Ordinary Share

Earnings per share has been calculated by dividing the consolidated (loss)/profit after taxation attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share has been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (arising from the Group's share option schemes) into ordinary shares has been added to the denominator.

The Group has dilutive potential ordinary shares, being the LTIP and zero-priced share options (Note 21). The number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) is calculated based on the monetary value of the subscription rights attached to the outstanding share options.

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



Notes Forming Part of the Financial Statements continued

10 Earnings per Ordinary Share continued

	2018 £'000	2017 £'000
(Loss)/profit after tax attributable to ordinary shareholders	(27,351)	7,348
Number of shares	'000s	'000s
Weighted average number of ordinary shares in issue	32,079	31,453
Effect of dilutive potential ordinary shares under option	-	939
Total	32,079	32,392

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

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

11 Intangible Assets

Group		Goodwill £'000	Customer relationships £'000	Trade names £'000	Other £'000	Software and software licences £'000	Total £'000
Cost	At 1 August 2016	26,094	20,152	4,907	2,686	1,958	55,797
	Additions	-	-	-	-	512	512
	Acquisitions	2,645	2,093	419	1,123	-	6,280
	At 31 July 2017	28,739	22,245	5,326	3,809	2,470	62,589
	Additions	-	-	-	-	899	899
	At 31 July 2018	28,739	22,245	5,326	3,809	3,369	63,488
Amortisation and impairment	At 1 August 2016	-	3,496	1,441	1,378	1,111	7,426
	Amortisation charge for the year	-	2,145	423	506	287	3,361
	At 31 July 2017	-	5,641	1,864	1,884	1,398	10,787
	Amortisation charge for the year	-	1,814	343	534	341	3,032
	Impairment	21,779	9,243	1,833	465	-	33,320
	At 31 July 2018	21,779	16,698	4,040	2,883	1,739	47,139
Net book value	At 31 July 2017	28,739	16,604	3,462	1,925	1,072	51,802
	At 31 July 2018	6,960	5,547	1,286	926	1,630	16,349



11 Intangible Assets continued

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

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

Other intangibles comprises candidate databases and non-compete agreements.

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

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

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

Changes to CGU reporting from the 2017 audited Financial statements:

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

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

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

Notes Forming Part of the Financial Statements continued

11 Intangible Assets continued**Profit from operations**

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

Discount rates

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

Growth rates

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

Impairment testing

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

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

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

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

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

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



12 Property, Plant and Equipment

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

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

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

13 investments

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

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

Notes Forming Part of the Financial Statements continued

13 investments continued

Subsidiary undertakings

Company	Registered office	Country of incorporation	% held 2018	% held 2017	Main activities
Matchtech Group (Holdings) Limited ³	1	United Kingdom	100%	100%	Holding
Matchtech Group Management Company Limited ⁴	1	United Kingdom	100%	100%	Non trading
Matchtech Group (UK) Limited ³	1	United Kingdom	99.998%	99.998%	Provision of recruitment consultancy
Matchtech Engineering Limited ⁴	1	United Kingdom	100%	100%	Non trading
Matchtech Limited ⁴	1	United Kingdom	100%	100%	Non trading
Barclay Meade Limited ³	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Alderwood Education Limited ³	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Gattaca Solutions Limited ³	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Connectus Technology Limited ³	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Gattaca Recruitment Limited ⁴	1	United Kingdom	100%	100%	Non trading
Gattaca GmbH	2	Germany	100%	100%	Provision of recruitment consultancy
Gattaca BV	3	Netherlands	100%	100%	Non trading
Matchtech Engineering Inc.	4	United States	100%	100%	Non trading
Application Services Limited ⁵	1	United Kingdom	100%	100%	Provision of recruitment consultancy
Provanis Limited ⁴	1	United Kingdom	100%	100%	Non trading
Networkers International Limited ³	5	United Kingdom	100%	100%	Holding
Networkers International (UK) Limited ³	5	United Kingdom	100%	100%	Provision of recruitment consultancy
Networkers International LLC	6	United States	100%	100%	Non trading
Networkers Inc.	6	United States	100%	100%	Provision of recruitment consultancy
NWI de Mexico S. de R.L. de C.V.	7	Mexico	100%	100%	Provision of recruitment consultancy
Networkers International South Africa Proprietary Limited	8	South Africa	100%	87%	Provision of recruitment consultancy
Networkers International Proprietary Limited	8	South Africa	100%	100%	Provision of recruitment consultancy
Kithara Limited	8	South Africa	100%	100%	Holding
Networkers International (China) Co. Limited	9	China	100%	100%	Provision of recruitment consultancy
Networkers International (Malaysia) Sdn Bhd	10	Malaysia	100%	100%	Provision of recruitment consultancy
Networkers International (Canada) Inc.	11	Canada	100%	100%	Provision of recruitment consultancy
Networkers International Trustees Limited ⁴	5	United Kingdom	100%	100%	Non trading
The Comms Group Limited ³	5	United Kingdom	100%	100%	Holding
CommsResources Limited ³	4	United Kingdom	100%	100%	Provision of recruitment consultancy
Gattaca Malaysia Sdn. Bhd	10	Malaysia	100%	100%	Provision of recruitment consultancy
Comms Software Limited ⁴	5	United Kingdom	100%	100%	Non trading
Gattaca de Colombia SAS	12	Colombia	100%	100%	Non trading
Elite Computer Staff Limited ⁴	5	United Kingdom	100%	100%	Non trading



13 investments continued**Subsidiary undertakings** continued

Company	Registered office	Country of incorporation	% held 2018	% held 2017	Main activities
NWKI Consultancy FZ LLC	13	Dubai	100%	100%	Provision of recruitment consultancy
Networkers Recruitment Services Limited ⁴	5	United Kingdom	100%	100%	Non trading
MSB International GmbH	14	Germany	100%	100%	Non trading
NWKI Communications LLC ²	13	Dubai	49%	49%	Provision of recruitment consultancy
Networkers Consultancy (Singapore) PTE. Limited	15	Singapore	100%	100%	Non trading
Cappo Group Limited ³	5	United Kingdom	100%	100%	Holding
Cappo Inc.	6	United States	100%	100%	Provision of recruitment consultancy
Cappo International Limited ³	5	United Kingdom	100%	100%	Provision of recruitment consultancy
Cappo Qatar LLC ²	16	Qatar	49%	49%	Provision of recruitment consultancy
Networkers Consultoria Em Tecnologia da Informacao Limitada	17	Brazil	100%	100%	Non trading
Resourcing Solutions Limited ^{1,3}	18	United Kingdom	100%	70%	Provision of recruitment consultancy
MSB Consulting Services Limited ⁴	5	United Kingdom	100%	100%	Non trading
Gattac SAS	19	France	100%	100%	Provision of recruitment consultancy
Gattaca Recruitment ETT, SLU	20	Spain	100%	100%	Non trading
Gattaca Information Technology Services SLU	20	Spain	100%	100%	Provision of recruitment consultancy

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

All holdings are held as Ordinary share capital.

1 In 2018, the Group acquired the remaining 30% stake in Resourcing Solutions Limited for consideration of £3,552,000.

2 Gattaca plc has 100% of the beneficial interest in these entities, and consolidates them as wholly owned subsidiaries in line with IFRS 10.

3 For the year ended 31 July 2018, Gattaca plc has provided a legal guarantee under s479C of the Companies Act 2006 to these subsidiaries for audit exemption.

4 These dormant companies are exempt from preparing individual accounts by virtue of s394A of Companies Act 2006.

Registered office addresses:

- 1 1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AF
- 2 c/o Grant Thornton, Jahnstrasse 6, 70597 Stuttgart
- 3 Herengracht 124-128, 1015 BT Amsterdam, Netherlands
- 4 33 SW Flager Avenue, Stuart, Florida, USA
- 5 Hanover Place, 8 Ravensbourne Road, Bromley, Kent, BR1 1HP, subsequent to the year end the registered office changed to 1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AF
- 6 6400 International parkway, 1510, Plano TX 75093, USA
- 7 Torre Reforma Latino, Paseo de la Reforma 296, Piso 15 A. Del.Cuauhtemoc, C.P. 06600, Mexico
- 8 6th Floor Grant Thornton House, 119 Hertzog Boulevard, Foreshore, Cape Town, 8001, South Africa
- 9 B2701 Di San Zhi Ye Building, Shu Guang Xi Li, Chaoyang District, Beijing, China
- 10 Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia
- 11 181 Bay Street, Suite 4400, Brookfield Place, Toronto, Ontario, Canada M5J 2T3
- 12 Av 9 A Norte, 14 N 73 OF 202, Valle del Cauca, Cali, Colombia
- 13 Office 3022, Shatha Tower, Dubai Media City, Dubai, UAE
- 14 Franlinstr. 48, 60456, Frankfurt, Germany
- 15 371 Beach Road, #15-09 Keypoint, Singapore 199597
- 16 Suite #204, Office #40 Al Rawabi Street, Muntazah, Doha, State of Qatar. PO Box 8306
- 17 Avenida Engenheiro Luiz Carlos Berrini, nº 1461, 12º andar, Cidade Moncoes, cidade de Sao Paulo, Estado Sao Paulo, CEP 04571-011
- 18 Ruscombe Park, Reading, RG10 9JW
- 19 1 Rue Favart, 75002, Paris, France
- 20 Calle General, Moscardo n.6, Espaco Office, Madrid 28202, Spain



Notes Forming Part of the Financial Statements continued

14 Deferred Tax

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

	Asset 2017 £'000	Liability 2017 £'000	Net 2017 £'000	(Charged)/ credited to profit 2017 £'000	Charged to equity 2017 £'000	Foreign exchange 2018 £'000
Share-based payments	445	-	445	(109)	(121)	-
Depreciation in excess of capital allowances	117	-	117	9	-	-
Acquired intangibles	-	(3,914)	(3,914)	1,027	-	-
Other temporary and deductible differences	211	-	211	20	-	5
Net deferred tax assets/(liabilities)	773	(3,914)	(3,141)	947	(121)	5

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

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



14 Deferred Tax continued

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

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

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

Unrecognised deferred tax assets

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

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

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

Notes Forming Part of the Financial Statements continued

15 Trade and Other Receivables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade receivables	81,773	82,296	-	-
Amounts owed by Group companies	-	-	94,925	86,606
Corporation tax receivable	241	-	-	-
Other receivables	1,351	1,729	2	2
Prepayments	1,600	2,291	-	-
Accrued income	27,947	28,681	-	-
Total	112,912	114,997	94,927	86,608

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

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

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

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

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

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

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

Ageing of past due but not impaired trade receivables:

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

Movement in the allowance for doubtful debts:

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



15 Trade and Other Receivables continued**Ageing of impaired trade receivables:**

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

16 Provisions

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

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

17 Trade and Other Payables

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

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

Notes Forming Part of the Financial Statements continued

18 Loans and Borrowings

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

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

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

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

19 Financial Assets and Liabilities Statement of Financial Position Classification

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

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

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



19 Financial Assets and Liabilities Statement of Financial Position Classification continued

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

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

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

20 Commitments Under Operating Leases

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

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

21 Share Capital**Authorised share capital**

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

Allotted, called up and fully paid:

	Company	
	2018 £'000	2017 £'000
32,256,000 (2017: 31,801,000) ordinary shares of £0.01 each	323	318

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

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

Notes Forming Part of the Financial Statements continued

21 Share Capital continued

Share Options

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

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

No share options were granted during 2018.

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



21 Share Capital continued

The movement in share options is shown below:

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

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

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

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

Notes Forming Part of the Financial Statements continued

21 Share Capital continued

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

Date of grant		Share price on the date of grant (£)	Exercise price (£)	Volatility (%)	Vesting period (years)	Dividend yield (%)	Risk free rate of interest (%)	Fair value (£)
05/08/2015	SIP	5.81	0.01	N/A	3.00	N/A	N/A	5.81
04/09/2015	SIP	5.64	0.01	N/A	3.00	N/A	N/A	5.64
05/10/2015	SIP	5.18	0.01	N/A	3.00	N/A	N/A	5.18
15/10/2015	LTIP	5.05	0.01	N/A	3.00	N/A	N/A	4.51
03/11/2015	SIP	5.45	0.01	N/A	3.00	N/A	N/A	5.45
08/12/2015	SIP	5.43	0.01	N/A	3.00	N/A	N/A	5.43
05/01/2016	SIP	5.35	0.01	N/A	3.00	N/A	N/A	5.35
05/02/2016	SIP	5.08	0.01	N/A	3.00	N/A	N/A	5.08
11/02/2016	LTIP	4.35	0.01	21.4%	3.00	5.1%	0.4%	1.45
11/02/2016	LTIP	4.35	2.25	21.4%	3.00	5.1%	0.4%	0.88
11/02/2016	Zero price bonus	4.50	0.01	20.9%	3.00	4.9%	0.5%	3.88
07/03/2016	SIP	4.29	0.01	N/A	3.00	N/A	N/A	4.29
14/04/2016	SIP	4.74	0.01	N/A	3.00	N/A	N/A	4.74
10/05/2016	SIP	4.65	0.01	N/A	3.00	N/A	N/A	4.65
06/06/2016	SIP	4.25	0.01	N/A	3.00	N/A	N/A	4.25
05/07/2016	SIP	3.19	0.01	N/A	3.00	N/A	N/A	3.19
05/08/2016	SIP	3.54	0.01	N/A	3.00	N/A	N/A	3.54
09/09/2016	SIP	3.87	0.01	N/A	3.00	N/A	N/A	3.87
07/10/2016	SIP	3.57	0.01	N/A	3.00	N/A	N/A	3.57
08/11/2016	SIP	3.16	0.01	N/A	3.00	N/A	N/A	3.16
07/12/2016	SIP	2.95	0.01	N/A	3.00	N/A	N/A	2.95
16/01/2017	SIP	2.98	0.01	N/A	3.00	N/A	N/A	2.98
31/01/2017	Zero price bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.27
31/01/2017	Zero price bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.51
31/01/2017	Zero price bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.23
31/01/2017	Zero price bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.49
31/01/2017	LTIP	2.90	0.72	37.9%	2.00	7.9%	0.2%	0.99
31/01/2017	LTIP	2.90	0.72	31.6%	3.00	7.9%	0.3%	0.86
31/01/2017	LTIP	2.90	1.45	37.9%	2.00	7.9%	0.2%	0.80
03/02/2017	LTIP	2.90	1.45	31.6%	3.00	7.9%	0.3%	0.66
07/02/2017	SIP	2.94	0.01	N/A	3.00	N/A	N/A	2.94
07/03/2017	SIP	2.94	0.01	N/A	3.00	N/A	N/A	2.94
07/04/2017	SIP	3.10	0.01	N/A	3.00	N/A	N/A	3.10
09/05/2017	SIP	3.18	0.01	N/A	3.00	N/A	N/A	3.18
07/06/2017	SIP	3.28	0.01	N/A	3.00	N/A	N/A	3.28
07/07/2017	SIP	3.09	0.01	N/A	3.00	N/A	N/A	3.09
07/08/2017	SIP	2.87	0.01	N/A	3.00	N/A	N/A	2.87
08/09/2017	SIP	2.99	0.01	N/A	3.00	N/A	N/A	2.99
09/10/2017	SIP	3.10	0.01	N/A	3.00	N/A	N/A	3.10
08/11/2017	SIP	3.12	0.01	N/A	3.00	N/A	N/A	3.12
08/12/2017	SIP	3.05	0.01	N/A	3.00	N/A	N/A	3.05
09/01/2018	SIP	3.00	0.01	N/A	3.00	N/A	N/A	3.00
08/02/2018	SIP	2.63	0.01	N/A	3.00	N/A	N/A	2.63
08/03/2018	SIP	2.31	0.01	N/A	3.00	N/A	N/A	2.31
12/04/2018	SIP	1.84	0.01	N/A	3.00	N/A	N/A	1.84
09/05/2018	SIP	1.40	0.01	N/A	3.00	N/A	N/A	1.40
08/06/2018	SIP	1.58	0.01	N/A	3.00	N/A	N/A	1.58
09/07/2018	SIP	1.25	0.01	N/A	3.00	N/A	N/A	1.25
08/08/2018	SIP	1.50	0.01	N/A	3.00	N/A	N/A	1.50



21 Share Capital continued

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

22 Transactions with Directors and Related Parties

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

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

During the year Matchtech Group (UK) Limited charged Gattaca plc £803,000 (2017: £921,000) for provision of management services. Further details of transactions with Directors are included in the Director's Remuneration Report on pages 50 to 55.

23 Financial Instruments

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

Maturity of financial liabilities

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

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

Notes Forming Part of the Financial Statements continued

23 Financial Instruments continued**Borrowing facilities**

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

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

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

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

Foreign currency risk

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

Liquidity risk

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

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

Net foreign currency monetary assets are shown below:

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

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

Company

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



24 Capital Management Policies and Procedures

Gattaca plc's capital management objectives are:

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

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

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

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

25 Alternative performance measures

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

Net debt

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

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

2018	1 August 2017 £'000	Net cash flows £'000	Acquisitions £'000	Amortisation of financing costs £'000	31 July 2018 £'000
Cash and cash equivalents	5,802	3,956	-	-	9,758
Interest-bearing term loan	(20,714)	5,714	-	-	(15,000)
Working capital facilities	(25,693)	(10,166)	-	-	(35,859)
Total net debt	(40,605)	(496)	-	-	(41,101)
Capitalised finance costs	317	25	-	(115)	227
Total net debt after capitalised finance costs	(40,288)	(471)	-	(115)	(40,874)

Notes Forming Part of the Financial Statements continued

25 Alternative performance measures continued

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

26 Non-controlling interests

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

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

27 Contingent liabilities

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

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

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

28 Events after the reporting date

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



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Consultancy, design and production
www.luminous.co.uk

Gattaca plc
1450 Parkway
Solent Business Park
Whiteley
Fareham
Hampshire
PO15 7AF

T: 01489 898989
E: info@gattacaplc.com

www.gattacaplc.com

