



# Connecting talent to unleash future potential

**Gattaca plc**  
Annual Report and Accounts 2019

# We exist to connect people and create valuable opportunities between them

By providing recruitment solutions and support to clients in our chosen markets and to candidates with engineering and technology skills, we help to unleash potential in people, projects and companies.

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## Highlights

### Financial highlights

REVENUE FROM  
CONTINUING OPERATIONS

**£635.8m**

2018 (£631.3m)

NET FEE INCOME<sup>1</sup> FROM  
CONTINUING OPERATIONS

**£70.6m**

2018 (£71.4m)

CONTINUING UNDERLYING<sup>2</sup>  
PROFIT BEFORE TAX

**£11.4m**

2018 (£10.9m)

PROFIT/(LOSS) BEFORE TAX  
FROM CONTINUING OPERATIONS

**£3.1m**

2018 (Loss of £26.7m)

### Operational highlights

**Kevin Freeguard appointed Chief Executive Officer** and joined on 1 October 2018.

**Growth of 4% in UK Engineering NFI** which represents 70% of our continuing business, underpinned by our established position within our chosen markets.

**Continued success of our Gattaca Solutions business**, growing by 16% with the scaling up of a number of major clients in the year.

**We launched the Improvement Plan and progress is under way**, with the operational reorganisation complete and a new business development team in place.

**Completion of the integration of Networkers** including our withdrawal from non-growth markets.

CONTINUING UNDERLYING  
BASIC EARNINGS PER SHARE

**27.5p**

2018 (22.5p)

BASIC EARNINGS PER SHARE

**-18.3p**

2018 (-85.3p)

1 Net fee income is equivalent to gross profit, being revenue less cost of sales.

2 Underlying results are defined as total consolidated results less non-underlying items, amortisation and impairment of goodwill and acquired intangible assets and foreign exchange differences.

## At a Glance

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

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

## Our Services



Traditional staffing

With over 35 years' experience of finding flexible and permanent talent, the Gattaca group of companies consists of a number of specialist recruitment brands including an engineering recruitment specialist (Matchtech) and a technology recruitment specialist (Networkers).



Packaged campaigns

For critical recruitment drives, our premium service combines campaign management, regular insight and reporting, dedicated sourcing support and prioritisation of our clients' demands. This means that we take ownership of finding the people our clients need whilst they focus on their core priorities.



Market insight reporting

Our bespoke market insight reports help our clients understand the demographics, pay, experience, diversity and availability of the candidate markets they are looking at. We offer a range of services depending on the depth of insights our clients need.

## Our Brands

**BARCLAYMEADE**

Barclay Meade is a professional services recruitment specialist.

**ALDERWOOD**

Alderwood is an employability training recruitment specialist.



Resourcing Solutions is a rail recruitment specialist.

**MATCHTECH**

Matchtech is an engineering recruitment specialist.

**NETWORKERS**

Networkers is a technology recruitment specialist.

**GROUP CONTINUING NFI BY LOCATION**



Americas	£6.4m	9.1%
Asia	£1.5m	2.1%
EMEA & UK	£62.7m	88.8%

**GROUP CONTINUING NFI BY SEGMENT**



UK Engineering	£49.4m	70.0%
UK Technology	£11.6m	16.4%
International	£9.6m	13.6%

**CANDIDATE EMPLOYMENT SPLIT**



Permanent	33.8%
Contract	66.2%

**OUR GEOGRAPHIC FOOTPRINT**

**739**  
PEOPLE

**7**  
COUNTRIES

**14**  
OFFICES

**Our Services**



**Workforce solutions**

We deliver total solutions to improve the quality, compliance and experience of our clients' hiring processes, for both their flexible and permanent workforces. Our solutions are perfectly tailored to companies with demand from the engineering and technology skills sectors.



**Engineering & technology projects**

Gattaca Projects provides professional and expert outcome-based engineering and technology support solutions; working either from our offices or on-site with our clients.



**Talent attraction & employer branding**

We help our clients attract, engage and retain talent by unlocking the potential of their employer brands. We provide a full employer branding agency service with a unique difference; we know candidate attraction inside out, especially in skill short markets.

**Our Brands**



Gattaca Solutions provides flexible, permanent and 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.

# Understanding the trends and opportunities

**As part of the Improvement Plan we undertook a deep analysis of a wide range of external factors affecting our business, from macro-economic trends to developments in the staffing industry and changing skills requirements within engineering and technology. Better alignment of our internal functions with these identified market trends is one of the key focuses of our Improvement Plan.**



**The global staffing market**

The global staffing market is worth \$466bn<sup>1</sup>, and continues to grow. Our prime geographies, the UK and US, are two of the three largest countries for staffing revenue, and temporary staff with technology and engineering skills in these geographical markets are worth \$75bn<sup>1</sup> of revenue. Though most of the geographies we operate in are forecast to have flat to moderate growth of 2-3%<sup>1</sup>, the total market size ensures we have plenty of opportunity for growth.

Staffing solutions is a very fragmented market, with a growing number of competitor agencies and individual recruiters in place as well as increasing direct sourcing via internal recruitment functions, but our brand is well known and our suite of products, experience and expertise sets us apart for both clients and candidates. The staffing market continues to shift towards integrated partnerships between staffing companies and clients, rather than one-off transactions, and we have seen that change as revenue from our Gattaca Solutions offering has significantly increased in the past few years. All companies are eager to attract the right talent, control their cost base and enhance their time to hire and we are well placed to provide a comprehensive range of services to help them improve their overall recruitment process.

Increasing legislation and compliance requirements also continue to be factors in the industry with regular changes to employment law to follow. Our strong knowledge and reputation for navigating these changes and ensuring businesses are compliant remains another key strength.



**Engineering and technology talent**

Skills are evolving faster than ever, with an insufficient number of graduates contributing to the shortages across the world, creating an imbalance between supply and demand. These trends are amplified for engineering and technology skills, with clients in constant need of talent and candidates moving companies more frequently.

Engineering and technology candidates are also increasingly internationally mobile, with skills that are easily transferable across borders. Our knowledge of the skills market and geographic footprint position us well to capitalise on these trends.

# Our Markets

## Mobility

- Aerospace
- Automotive
- Maritime & Shipping

## Energy

- Renewables
- Oil & Gas
- Transmission & Distribution
- Nuclear
- Mining & Extraction

## Life Sciences

- Pharmaceutical
- Medical

## Infrastructure

- Highways, Traffic & Planning
- Buildings & Construction
- Rail
- Water & Utilities

## Defence

- Air
- Land
- Sea
- Communications

## Consumer & Retail

- Wholesale
- Retail

## Public Sector

- Central Government
- Local Government
- NHS

## Technology, Media & Telecoms

- Technology
- Media & Broadcasting
- Telecommunications

## Banking & Financial Services

- Banking
- Insurance
- Fintech



United Kingdom



International

In April 2020, the UK staffing market will experience significant change as IR35 is introduced to the private sector, shifting the liability for assessment of tax status from a contractor's personal service company to the client utilising the services. This change brings the risk of reduced demand for contractors in favour of permanent employees or subcontracting arrangements. This presents opportunities through the provision of increased permanent recruitment services and the delivery of subcontracted services. Beyond this, the change is driving some companies to consolidate their contractor use and operate via an integrated partner programme with companies such as Gattaca.

In the UK, there is still significant opportunity to grow our market share. Commitment to long-standing public-funded programmes will continue to drive growth across many of our markets, such as Defence, Infrastructure, Mobility and Energy.

All our international locations are experiencing rising demand for engineering and technology talent. The US market for technology and engineering skills is worth over \$40bn<sup>1</sup> of revenue. The vast size of our chosen international markets means there is ample opportunity for us to harness them.

Additionally, continuing to operate internationally enables us to diversify from being based in a single economy in the UK, balancing our exposure to economy-specific risks.

THE GLOBAL STAFFING MARKET IS WORTH

**\$466bn<sup>1</sup>**

TECHNOLOGY AND ENGINEERING SKILLS ARE WORTH

**\$75bn<sup>1</sup>**

OUR CHOSEN GEOGRAPHIES ARE FORECAST TO HAVE A FLAT TO MODERATE GROWTH OF

**2-3%<sup>1</sup>**

<sup>1</sup> Staffing Industry Analysts: Global Staffing Industry Market Estimates and Forecast (November 2018).

## Chairman's Statement

# A positive year for Gattaca

It has been a positive year for Gattaca, as we've built on the consolidation work we began last year and continued to reset the business.

*"Following substantial changes in 2018, the new Board line-up has been refocusing this year to deliver on our objectives."*

**Patrick Shanley**  
Non-Executive Chairman



GROUP  
CONTINUING NFI  
**£70.6m**  
2018 (£71.4m)

GROUP  
CONTINUING REVENUE  
**£635.8m**  
2018 (£631.3m)



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

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

## Overview

Having Kevin on board as CEO has brought stability, focus and clarity on what we are trying to achieve at Gattaca. He has brought in new systems to improve sales management and his vast sales experience has also allowed us to address some existing sales

issues. The entire Board has been delighted with the impact Kevin has made to date.

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

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

## Dividend

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

## Board

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

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

## People

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

## Outlook

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

## Patrick Shanley Non-Executive Chairman

5 November 2019

## Investment Case

# Our objective is to be the leading provider of specialist engineering and technology staffing solutions in Gattaca's chosen markets

An established, trusted partner providing specialist engineering and technology staffing solutions with clear opportunities to scale in chosen high-growth markets.

### Defining arguments:

### Supporting evidence:



#### Market-leading solutions with a trusted reputation

- A leading provider of specialised and in-demand engineering and technology skills
- Ability to deliver tailored solutions and products
- Broad client base and long-term partnerships. Average tenure of Gattaca's top 50 client relationships is 7.7 years
- Leading brands in provision of both engineering and technology talent (source: Recruitment International):
  - No. 2 UK engineering - Matchtech
  - No. 4 UK technology - Networkers
- Known for:
  - Membership of many engineering and technology associations
  - Work alongside academic institutions



#### Defined, high-growth markets

- Science, technology, engineering and maths ('STEM') skills are in demand across geographies and end-markets, driven by growing importance of the digital economy
- Demand for STEM skills is robust
- Well-established and scalable UK business, however with further significant growth and market share opportunity
- Expertise and specialist focus being leveraged internationally, particularly in the Americas where there is significant growth opportunity



### Deep expertise with revitalised leadership

- Deep skill and market-based expertise within the business
- Now combined with a new management team, bringing fresh perspective and drive to professionalise the business
- Group-wide Improvement Plan in place and delivering results
- Transformation under way, professionalising market approach, with rigour and clear methodology being applied to sales



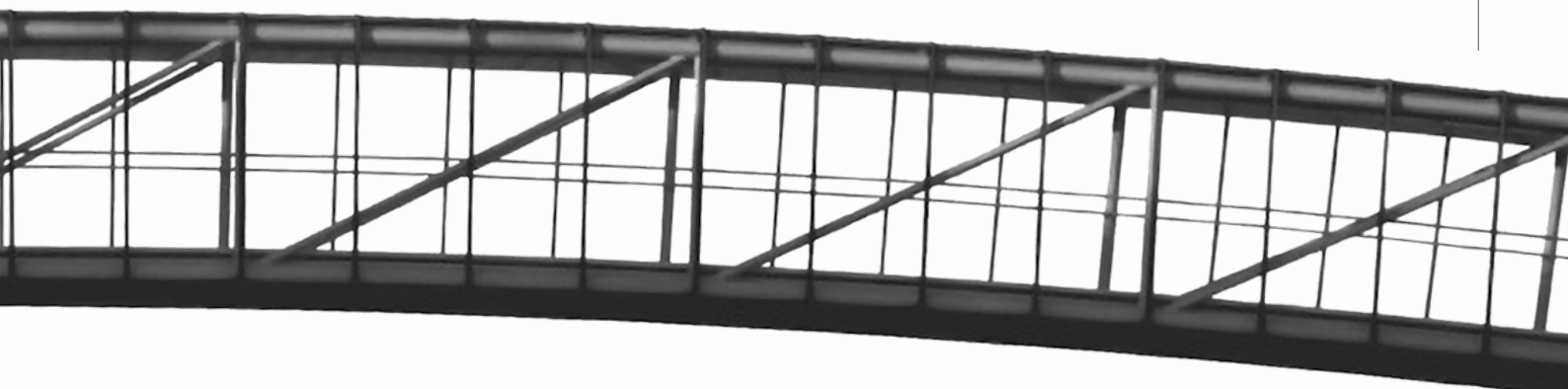
### Focused growth strategy

- Cross-selling and focus on growing share of client wallet provides significant growth opportunity
- Integrated, Group-wide technology platform being implemented, maximising productivity and allowing cross-discipline working
- Investing in organic growth in geographies with clear growth prospects
- Growing and investing in Gattaca Solutions services which embed Gattaca within client operations and deliver incremental margin improvement
- A more agile, scalable business being built



### Resilient business model

- Focused on STEM skills which will remain in-demand
- Business has remained profitable on an underlying basis
- Progressively degearing
- Contract-perm NFI split of 70/30 continuing business provides consistent revenue opportunity - predictable and recurring
- A growing Gattaca Solutions business (27% of Group continuing NFI) further increasing quality of revenue
- Core focus of the business is contract placements which provides resilience but the unexploited permanent placement market provides further growth opportunity for Gattaca



## Case Study: In-depth knowledge of our customers' markets

**10%**

OF OUR UK  
SALES WORKFORCE  
SUPPORT THE  
RAIL ECOSYSTEM

**500**

ACTIVE SPONSORED  
WORKERS

**50%**

OF OUR TOP 100  
CLIENTS SUPPLY THE  
RAIL MARKET

**30 years**

OF EXPERIENCE IN THE  
RAIL MARKET

### Case Study

# Embedded in the Rail market

**We are unique due to the breadth of our client relationships and our experience across the whole of the UK Rail market.**

#### Breadth

As well as being a direct supplier to Network Rail, we are a key provider to 80% of their largest suppliers. Gattaca supports bodies such as HS2, Crossrail, Transport for London and Network Rail, all tiered suppliers to the Rail industry including 16 of Network Rail's Top 20<sup>1</sup> suppliers, down to the small and medium enterprise ('SME') supply chain.

#### Experience

Having worked in the UK Rail market for 30 years, we follow all rail programmes and have a pivotal role in helping to deliver major UK rail projects such as HS2, Crossrail, London Underground enhancement, Transpennine Rail upgrade ('TRu'), Information Programme Signalling ('IPS'), and Network Rail's Digital Railway and Control Period 6 ('CP6') projects.

Beyond the key programmes, we also support companies that deliver services to the wider rail ecosystem, such as communications, signalling, planning, networks, facilities and business support services.

#### Knowledge share

This experience of working in the UK Rail market gives us a unique position to absorb and share insight and data with our customers, making us a collaborative force in the market.

We enable the elements of the UK Rail market to work alongside each other rather than in competition. In addition to supplying, we proactively help people transition into the industry and educate the graduate community on the career opportunities the Rail market provides.

<sup>1</sup> Network Rail Top 20 Suppliers 2018-19

# Strategic Report

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**SELL TO A  
MARKET**



**COLLABORATIVE HIGH-  
PERFORMING CULTURE**



# Aligning the organisation for growth

Kevin Freeguard joined Gattaca as CEO in October 2018. In his first year in the role, he has focused on how the Group can improve for clients, candidates and employees.

*“Gattaca has strong fundamentals, and a history of working in close partnership with both clients and candidates.”*

Kevin Freeguard  
Chief Executive Officer

CONTINUING  
UNDERLYING PROFIT  
BEFORE TAX

**£11.4m**

2018 (£10.9m)



### Having been in the business for almost a year, what has been your overall impression?

I am really encouraged: finding the right talent is critical to the success of all organisations and the search for that talent is now a major focus for companies. There is also a growing requirement for technology and engineering skills across all markets. Gattaca has strong fundamentals, and a successful history of working in close partnership with both clients and candidates that is underpinned by a very experienced and committed team. I believe we are well positioned for the future.



### What surprised you when you joined the business?

The reach of the Company and extent to which the Company operates across multiple industries and sectors, the breadth and depth of the client relationships we have and the level of capability to provide the talent that the marketplace requires. The talent that we find and connect with our clients is delivering critical skills in many areas across all markets.



### What are Gattaca's key strengths, in your opinion?

Gattaca has a number of core strengths. Our people have deep industry skills and expertise. Our reach in the markets we operate in means we can work across all of them to find and connect the engineering and technical talent our clients need. Our focus on innovation and providing tailored solutions has allowed us to stay relevant. Finally, we have numerous long-standing and trusted client relationships, which demonstrate our ability to adapt to changing requirements.



### What are the main areas of focus for your Improvement Plan?

The Improvement Plan is about focused growth, building on our fundamental strengths and capitalising on the opportunities we've identified. It will enable us to further extend our market reach and build new customer relationships, as well as continuing to grow the range of services we provide to existing clients and candidates.

Internally, we're focusing on operational excellence and a continued investment in innovation. This includes implementing a common technology platform across all of our operations, further developing our capabilities, refining our structures and streamlining our operations to enable us to remain agile.



### What do you see as the main opportunities for Gattaca?

Our core purpose is connecting talent with customer needs, and finding talent in today's market is a real challenge. The opportunity ahead of us is to extend the scope of engineering and technology skills we provide and to connect that talent with a wider range of customers in our chosen markets as efficiently as possible.



### How can Gattaca improve its client offering going forward?

Continued focus on innovation to ensure that our solutions meet evolving client requirements. To improve our go-to-market approach, to ensure we are connecting clients and candidates in the most efficient way. To continue to build our candidate pools, supporting our focus on providing the right skills where they are most needed.



### What more can Gattaca do to help candidates?

Historically, one of the real strengths of the Company has been building relationships with candidates that can last many years and even across whole careers. However, we know that candidates are increasingly looking for different things in their careers and different ways to utilise their skills. We have to make sure that we place the right people with the right companies in the right way so that both sides can really benefit.



### Why are you focused on building a collaborative culture?

As technology becomes more sophisticated, the value we deliver will be in the relationships and expertise we hold. Closer collaboration will enable us to leverage our industry-leading brands more effectively, to the benefit of both our clients and candidates, as we become consultants that happen to recruit.

### Highlights

- NFI growth of 4% in UK Engineering, which is 70% of our continuing business, is underpinned by our established position within our chosen markets
- Continued success of our Gattaca Solutions business, growing by 16% with the scaling up of a number of major clients in the year
- We launched the Improvement Plan and progress is under way, with the operational reorganisation complete and a new business development team in place
- Completion of the integration of Networkers including our withdrawal from non-growth markets.

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

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

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



## Improvement Plan

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

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

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

- **Segmented target markets** – We have aligned around a more targeted market approach and the services we offer will reflect the different priorities of each segment to enable us to deepen our existing client relationships and focus on extending our services to a wider range of new clients.

- **Tailored solutions** – We will evolve our innovative product range, where appropriate, to ensure it continues to meet client needs, capitalising on our unparalleled ability to identify the best candidates in the global talent market.
- **Organisational effectiveness** – We will continue to develop the expert capability of our teams, focusing on improving how we sell to the market and leveraging Group support functions such as marketing, finance and HR to better support all of our operations. Underpinning this we are currently implementing a Group-wide technology platform, which is a critical enabler for the business.
- **Service delivery** – We will enhance our delivery capability to ensure we provide best-in-class client and candidate experiences across the Group.

This is an exciting period for Gattaca as we evolve the business to ensure it continues to deliver sustainable growth in the long term. The business has committed to a specific set of workstreams to achieve our transformation. The tangible changes to date include:

- We successfully delivered our international restructure programme, withdrawing from operations and markets which were not profitable and were less scalable than other markets. This has resulted in a positive working capital unwind and reduced irrecoverable withholding tax charges.

- We have redesigned the operational leadership structure, separating executive responsibility for UK and International operations and enabling more focus on our growth markets with clear lines of accountability and responsibility.
- A comprehensive market mapping review has enabled us to have a more structured and rigorous approach to the market. This will enable us to support existing client relationships on a more strategic basis and also open up new client opportunities where we have the deepest understanding and most relevant talent pools.
- We have reorganised our operations to form the core of a centralised candidate delivery function, which will enable us to create scale and further deepen our candidate relationships, which will improve the quality of candidate flow and reduce time to hire.
- Finally, during the summer of 2019, we created a dedicated pan-UK business development and sales function to sell across the market verticals identified within the Improvement Plan. This team of experienced sales professionals bring together both staffing and market vertical skills that we are prioritising.

### Outlook

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

**Kevin Freeguard**  
Chief Executive Officer

5 November 2019

**Building on the strong fundamentals of the business, the recently launched Improvement Plan is focused on the key levers to accelerate growth for the Group.**

# Our Improvement Plan

Our strategic priorities ensure we are improving sales and market effectiveness, deepening customer relationships, enhancing our service delivery capability, improving organisational alignment and accelerating our focus on developing and innovating solutions to meet market needs as they change.



## SELL TO A MARKET

**Growing the customer base, deepening customer relationships**

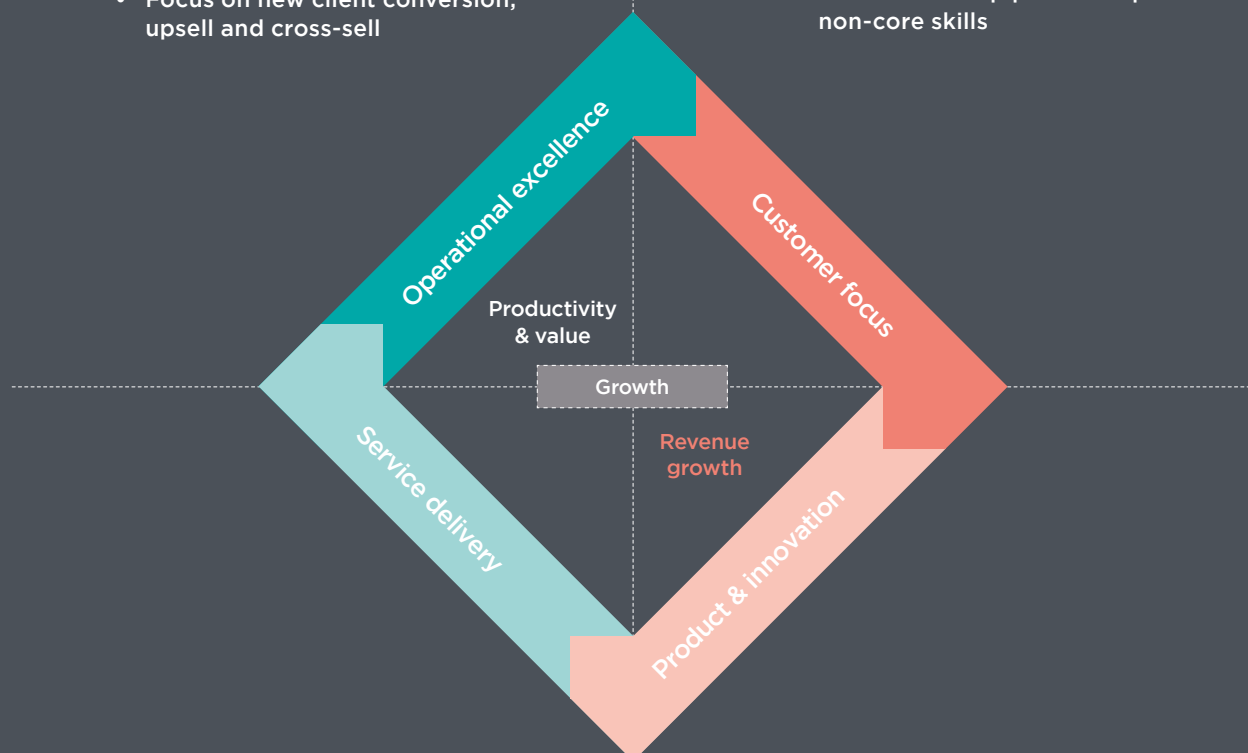
- Aligned go-to-market plan
- Consistent execution
- Invest in sales resource
- Focus on new client conversion, upsell and cross-sell



## ADD VALUE BY PRODUCT

**Innovating and developing products to meet client needs**

- Align products to sell to market segments
- Extend outsourcing capability
- Further develop partnerships for non-core skills



## EXPERT FULFILMENT BY SKILL

**Enhancing our service delivery capability**

- Enhance scalable and agile delivery model for clients
- Improve candidate engagement capability
- Broaden engineering and technology skill focus
- Dedicated fulfilment expertise



## COLLABORATIVE HIGH-PERFORMING CULTURE

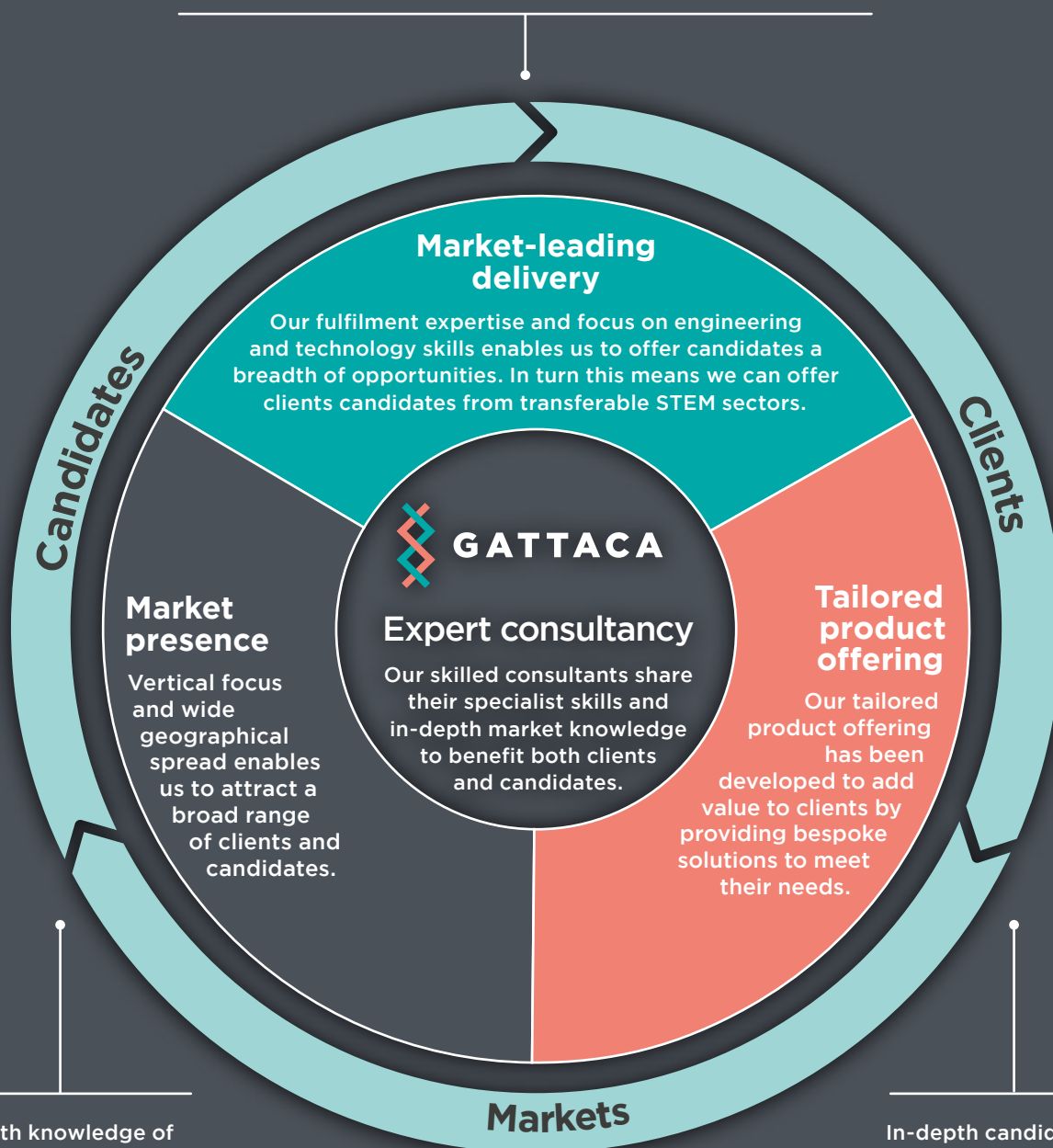
**Fully aligned operating model**

- Focus on finding, developing and retaining great people (specialist roles)
- Implement single end-to-end technology platform
- Build common process across Group
- Focus on productivity

## Our Business Model

# What we do

In-depth knowledge of a market enables us to advise our candidates on the best options for them.



In-depth knowledge of working with start-up businesses through to multinational blue-chip giants enables us to have a complete view on the entire market.

In-depth candidate knowledge enables us to advise clients on attraction approach, location, speed, method and cost.

# How we create value for our stakeholders



## For clients

- Our market expertise helps us advise them on dynamics in their competitive landscape
- Our ability to identify the best high-quality candidates, quickly
- Our range of specially designed services which enable us to solve our clients' talent challenges, from one-time hire through to enterprise-size integrated solutions

### 70/30

CONTRACT VS PERMANENT CONTINUING NFI SPLIT



## For candidates

- Expanding range of career opportunities across all major markets with clients from start-ups through to multinationals
- Market experts consultants who can help STEM skill candidates transition across markets and geographies
- A great candidate experience, providing the opportunity to work with highly experienced and skilled consultants who will support them throughout their career
- Strong governance giving candidates reassurance that their data is being handled well and their employment models are compliant

### 14,500

PLACEMENTS PER YEAR



## For employees

- Strong brand reputation helping them to secure new business or identify great talent
- Early career progression
- Investing in modern technological infrastructure to help them deliver
- Market-leading benefits scheme
- Training to become a successful market expert, surrounded by a positive and friendly culture

### 78%

POSITIVE ENGAGEMENT SCORE



## For investors

- Providing market-leading solutions with a trusted reputation
- Operating in defined, high-growth markets
- Deep expertise with revitalised leadership
- Focused growth strategy
- Resilient business model

### 27.5p

CONTINUING UNDERLYING BASIC EPS

## Our Business Model in Action

# How we connect your world



We provide talent solutions that enable companies working in nearly every aspect of the automotive ecosystem to thrive. Our clients include start-ups, the world's largest tiered providers, Formula 1 teams and prestigious OEMs (original equipment manufacturers). They're creating and perfecting systems for everything from journey planning, warming the seats of your car, to engines and fully electric vehicles, enabling all of us to drive safer, with better performance and more environmentally friendly vehicles than ever before.



From repairing a pothole to the construction of new bridges, tunnels and complete smart motorway networks, our engineers and technologists are designing and building systems to help us all have safer and more efficient journeys.



Whether you book via an app or tap in with a contactless card, our candidates have had a hand in your secure payment of the ticket and indeed your entire train journey. Our clients design and upgrade: the systems, track, rolling stock, signalling, seats, tunnels and bridges, and the stations your journeys begin and end at.



There are many ways our clients are involved in the air travel industry. From disciplines as wide ranging as designing the site you visit to book your trip, to carrying out an assessment of the environmental impact of building a new runway, to creating the airframe, engine, seats and landing gear of your plane, you can't take to the skies without using technology worked on by our clients and candidates.



You don't need to leave your house to benefit from the work of our customers. We work with companies ranging from major global infrastructure and utility providers, through to innovative start-ups looking for methods to improve every aspect of our lives, from streaming content to paying bills.



Whether your place of work is a world-class office building such as The Shard in London, an Olympic park, a hospital or an oil rig in the middle of the sea, our customers have helped to create that environment; not just the building, but the communications, IT infrastructure and the software tools and cloud systems you use to do your jobs.

**We provide talent that the world relies on. With either engineering or technology skills, the candidates that we find and connect with our clients are inventing, designing, installing and operating products, systems and infrastructure that improve our day-to-day lives.**

## In Action

We signed a multi-year framework agreement to find data scientists, software engineers, solutions architects and IT security candidates from around the world to relocate to Germany and join one of the world's largest OEMs on a permanent basis to build out a brand new digital platform for its next generation of fully digital vehicles.	<p><b>Skill:</b> Technology</p> <p><b>Product:</b> Permanent placement framework</p> <p><b>Market:</b> Mobility</p> <p><b>Client:</b> Large OEM</p>
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We have signed an exclusive subcontractor package to provide teams of site supervisors, sub agents, quantity surveyors and commercial managers to upgrade and install a 'smart' motorway system, which was successfully delivered on time.	<p><b>Skill:</b> Construction, technology</p> <p><b>Product:</b> On a subcontractor agreement</p> <p><b>Market:</b> Infrastructure</p> <p><b>Client:</b> Major contracting body</p>
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Over the Christmas holidays, we had over 300 sponsored contractors on assignment doing major modifications and upgrades to the UK rail network, one of the busiest networks in the world. This included providing a range of candidates across signalling, telecoms, permanent way and safety-critical engineers.	<p><b>Skill:</b> Construction, communications, signalling</p> <p><b>Product:</b> On a subcontractor agreement</p> <p><b>Market:</b> Infrastructure</p> <p><b>Client:</b> Major contracting body</p>
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In the last year we have signed a five-year extension with a major global air traffic control body for a fully integrated recruitment solution. We are the exclusive provider of hundreds of security-cleared technical specialists to continue to develop the most secure and robust air traffic control systems in the world.	<p><b>Skill:</b> Engineering and technology</p> <p><b>Product:</b> Contract labour solution</p> <p><b>Market:</b> Mobility</p> <p><b>Client:</b> Major contracting body for national critical infrastructure</p>
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In the past 12 months, the Group has worked with a wide range of SME technology companies to find the niche talent they need to grow. We place the skilled candidates who develop the software that helps us monitor our health, track our personal finances, gain customer loyalty points and order our shopping online.	<p><b>Skill:</b> Engineering and technology</p> <p><b>Product:</b> Permanent placement niche</p> <p><b>Market:</b> Technology, Media and Telecoms, Life Sciences, FBI</p> <p><b>Client:</b> SME</p>
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Over the past 12 months we have worked on an exclusive arrangement to hire a number of specialist pre-sales and vice-president sales personnel from North America for roles across the world. Our in-depth understanding of the client's market enabled us to identify, engage and successfully secure these individuals to help drive business growth for our client.	<p><b>Skill:</b> VP technology sales</p> <p><b>Product:</b> Exclusive package work</p> <p><b>Market:</b> Technology, Media and Telecoms, Consumer</p> <p><b>Client:</b> Mid-market</p>
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### Underpinning it all:

#### Power, National Security & Cyber Communications

We also work with companies that provide us with the energy, communications and security we rely on. Through energy production and distribution, communications across all media, safe purchasing, or even the protection of society, our clients and candidates help us all.



# A positive performance in 2019

### UK Engineering

Revenue was £475.9m (2018: £451.7m), NFI increased by 4% to £49.4m (2018: £47.6m) and operating contribution (before central overheads) was £27.5m (2018: £26.0m). UK Engineering represents 70% of Group continuing NFI.

This excellent year-on-year performance in a challenging market is underpinned by our established position within our chosen markets in the UK Engineering sector. Long-term relationships with many existing and new blue-chip clients continue to develop and provide stable revenues as we partner with them to deliver solutions for their talent needs.

The Infrastructure division, which makes up 39% of UK Engineering, grew by 4% on the previous year. Activity in the Highways, Traffic and Planning sub-division was a key driver of this growth where we have continued to develop offerings across the whole project life cycle from planning and design through to construction and maintenance.

The private building sector saw continuing delays in investment for large projects throughout the year, particularly in London as the industry waits for certainty over Brexit. Demand within the Water market was more tempered as the funding cycle AMP 6 entered its final year; however, we work to prepare ourselves to take advantage of the AMP 7 funding cycle due to commence in 2020. Additionally, the UK Government continued to prioritise spending on transportation infrastructure and utilities projects, which are significant and established markets for Gattaca.

Our Aerospace sub-division grew by 13% in the year, primarily as a result of large RPO (Recruitment Process Outsourcing) wins in the prior year generating a full year of NFI in 2019. Our focus is on the interior fit-out market as the trend remains towards aircraft carriers demanding the most modern, innovative and efficient products.

The traditional Automotive sector was challenging, with NFI down 25% year on year. Market confidence reduced due to uncertainty over Brexit, and concerns over diesel vehicles and the slowdown in the Chinese market led to the sector changing investment decisions. Looking forward, demand is stabilising and we continue to direct resources and investment towards automotive technology skills, specifically for vehicle electrification and autonomous and connected vehicles. The trend in the market is creating a new transportation landscape, allowing us to maximise our technology presence within this emerging growth sector.

Our Engineering Technology division grew NFI by 9% on the prior year, continuing its growth trajectory. It focuses across all markets, particularly Defence, Rail and Mobility, capitalising on technological advances that are providing opportunity for greater connectivity and 'smart' infrastructure and transportation.

The Energy division was up 2% on the prior year. The Renewables Energy market continues to offer volume growth, but as the sector matures and reaches a critical mass, margins are increasingly coming under pressure. The Oil and Gas market remains turbulent, with investment decisions and therefore demand driven by global commodity prices; we are yet to see it recover to the highs of 2013-14.

The Defence market continues to be core to our business. National security, maritime and defence infrastructure programmes, including the QEC aircraft carriers, Dreadnought, Tempest, Type 26 and Type 31 frigates, are a key UK Government priority with increased spending announced. As a result, we see opportunity in this market across both engineering and technology skills.

### UK Technology

On a continuing basis, revenue was £136.1m (2018: £146.8m), NFI declined by 20% to £11.6m (2018: £14.5m) and operating contribution before central overheads was £5.9m (2018: £6.6m). UK Technology represents 16% of Group continuing NFI.

2019 was a year of significant change for our UK Technology business, with the disruptive impact of our withdrawal from the Telecommunications Infrastructure contract labour market and the relocation of our Bromley office to central London. Whilst NFI declined by £2.9m, restructuring of our operations ensured that only £0.7m of this contraction flowed through to operating contribution. A number of underperforming staff exited the business during this process, leaving a leaner, more agile business. We reviewed the talent required within our UK Technology business and where it should be positioned to benefit most from the market fundamentals. As a result, we have recruited a new Head of Technology to help reposition the business for a return to growth.

The rapid development of the IT industry and need for STEM skills across the UK offers an excellent opportunity for our Technology business to return to growth. There is high demand for technology skills such as data science, artificial



intelligence, cyber security, Java programming and development. We will seek to position ourselves to provide these skills in the market verticals where they are most in demand across our client portfolio.

### International

On a continuing basis, revenue was £23.8m (2018: £32.7m), NFI grew marginally at £9.6m (2018: £9.4m), and operating contribution before central overheads was £1.8m (2018: £2.7m). International operations represent 14% of the Group's continuing NFI.

2019 was again a period of significant change for our International operations as we withdrew from the Telecommunications Infrastructure contract labour markets in Africa, Asia and Latin America. This had a disruptive impact on the teams which remained, but challenges were overcome and within South Africa and China, we saw the businesses which were retained as part of our core offering grow and expand their client base outside of the traditional Telecommunications markets.

The Americas region, in particular the US, underperformed against expectations, with NFI down 9% on the prior year. Within the US business, we repositioned away from a historic over-reliance on a small number of sole supply clients which experienced a drop in volume during 2019. We also took this opportunity to restructure the US leadership team, and have aligned this restructure with more focused executive support from the UK head office.

We continued to build out from our US presence in Dallas, adding offices in Houston and Atlanta, providing recruitment services to clients particularly focused across the Energy and Infrastructure markets for engineering skills, and across the Financial Services and Technology markets for technology skills. Towards the end of FY19 there were positive

signs that the US business was returning to growth with a more balanced contract/permanent mix across a broader portfolio of clients, which we will seek to capitalise on and accelerate.

In Canada, we saw continued growth as the Toronto office built towards critical mass with a focus on the Fintech and Energy markets.

We continue to see significant potential within the Americas region in the markets that we operate in and they remain a key pillar of our strategic growth objectives.

### Gattaca Solutions

As a cross-section of our UK Engineering, UK Technology and International businesses, our Gattaca Solutions NFI grew by 16% in the year, with existing accounts growing by 6%. Gattaca Solutions is a critical element of our growth strategy as it allows us the opportunity to solve critical client staffing issues through deep long-term customer relationships. Gattaca Solutions dedicates account management support to these client relationships, and in many cases puts Gattaca teams into our clients' businesses.

We are delighted to report a strong year of account retention within Gattaca Solutions, with a 100% success rate of client renewals in 2019. This reflects the quality of service and value that Gattaca Solutions brings to our clients.

A significant RPO contract supporting engineering recruitment requirements of the UK Ministry of Defence accelerated throughout the first half of 2019, and delivered performance beyond our expectations during its first full year of operation.

Buying behaviours within the UK staffing market are shifting towards the outsourced recruitment model, which Gattaca Solutions offers. This is reflected in our current pipeline, which continues to strengthen with opportunities across all markets.

**Kevin Freeguard**  
Chief Executive Officer

5 November 2019

**UK ENGINEERING  
CONTINUING NFI**

**£49.4m**

(2018: £47.6M)

**UK TECHNOLOGY  
CONTINUING NFI**

**£11.6m**

(2018: £14.5M)

**INTERNATIONAL  
CONTINUING NFI**

**£9.6m**

(2018: £9.4M)

## Key Performance Indicators

# Measuring our progress

### Financial KPIs

Due to the discontinuation of certain operations in 2019, the Group has chosen to present a number of adjusted KPIs for continuing operations as a more representative measure of ongoing business.

2015	54.8
2016	73.0
2017	74.7
2018	78.9
2019	72.1

**NFI**  
(£m)

**£72.1m**

(2018: £78.9m)

#### Measurement explained

NFI, equivalent to 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 in the year and is a prerequisite to any sustainable bottom line growth.

2018	71.4
2019	70.6

**NFI from continuing operations**  
(£m)

**£70.6m**

(2018: £71.4m)

#### Measurement explained

NFI from continuing operations is revenue less cost of sales from continuing business, 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 continuing business generated in the year.

2015	33.6
2016	25.0
2017	40.3
2018	40.9
2019	24.8

**Net debt**  
(£m)

**£24.8m**

(2018: £40.9m)

#### Measurement explained

Total Group debt, less any cash and cash equivalents, after capitalised financing costs.

#### Rationale

Net debt is a key element of the Group's capital structure. Gattaca is committed to showing a sustained reduction in Net debt.

2018	22.5
2019	27.5

**Continuing underlying basic EPS**  
(pence)

**27.5p**

(2018: 22.5p)

#### Measurement explained

The amount of underlying profit for the year per one share in the Group; calculated as the continuing underlying 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 continuing profitability of a company for its shareholders.

2018	12.4
2019	13.4

**Underlying profit from continuing operations** (£m)

**£13.4m**

(2018: £12.4m)

#### Measurement explained

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

#### Rationale

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

2018	10.9
2019	11.4

**Continuing underlying profit before taxation** (£m)

**£11.4m**

(2018: £10.9m)

#### Measurement explained

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

#### Rationale

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

2018	17.4
2019	19.0

**Conversion ratio** (%)

**19.0%**

(2018: 17.4%)

#### Measurement explained

Underlying continuing profit from operations expressed as a percentage of continuing NFI.

#### Rationale

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

## Operational KPIs

2015	81	19
2016	80	20
2017	79	21
2018	81	19
2019	87	13

**International mix**  
(%)



**87% 13%**

(2018: 81%:19%)

### Measurement explained

NFI generated from business operations outside of the UK, expressed as a percentage of total NFI.

### Rationale

Geographic diversification spreads risk and reduces reliance on any one economy.

2015	72	28
2016	71	29
2017	71	29
2018	73	27
2019	72	28

**Staff mix**  
(%)



**72% 28%**

(2018: 73%:27%)

### Measurement explained

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

### Rationale

Demonstrates the Group's ability to maintain a consistent balance of sales and support headcount throughout other business changes.

2015	73	27
2016	74	26
2017	76	24
2018	72	28
2019	70	30

**NFI mix**  
(%)



**70% 30%**

(2018: 72%:28%)

### Measurement explained

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

### 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.

2015	2.03
2016	1.97
2017	1.80
2018	1.69
2019	1.68

**NFI per £ staff cost**  
(£)

**£1.68**

(2018: £1.69)

### Measurement explained

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

### Rationale

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

2015	143.0
2016	138.7
2017	124.3
2018	126.1
2019	135.8

**Average NFI per sales head** (£'000)

**£135.8**

(2018: £126.1)

### Measurement explained

Total 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.

2018	77
2019	78

**Positive engagement score**  
(%)

**78%**

(2018: 77%)

### Measurement explained

An Engagement Index based on employee responses to seven actionable workplace elements.

### Rationale

Employee engagement has proven linkages to performance, productivity, customer service, quality, retention and increased profit.



# Delivering above expectations in 2019

2019 has been a year of intense activity and I am pleased that whilst repositioning the business, we have delivered or exceeded expectations on our key metrics of underlying profitability, earnings per share and net debt.

## Highlights

- Continuing underlying profit before tax grew to £11.4m for the year (2018: £10.9m).
- Working capital management has continued to be a major focus throughout the year, resulting in Days Sales Outstanding ('DSO') of 45 days (2018: 52 days).
- Operational closure of underperforming Telecoms Infrastructure contract business and offices in United Arab Emirates, Malaysia, Qatar and Singapore.
- Consolidation of all UK Group support functions into our Whiteley hub, with the Bromley office closed in the year.



*"We are focused on rebuilding the business for growth for the long-term."*

**Salar Farzad**  
Chief Financial Officer

**CONTINUING UNDERLYING  
BASIC EPS**

**27.5p** ↑22%

(2018: 22.5p)

## Financial performance

On a continuing basis, revenue of £635.8m (2018: £631.3m) generated NFI of £70.6m (2018: 71.4m). We achieved contract NFI of £49.3m (2018: £51.0m) at a margin of 8.0% (2018: 8.4%), and permanent recruitment fees were £21.3m (2018: £20.4m). The change in contractor margins was driven by a higher mix of Gattaca Solutions business, which now represents 27% of Group continuing NFI (2018: 22%). This ongoing trend within our product mix is positive as Gattaca Solutions business provides greater visibility over our medium-term pipeline and whilst margins tend to be lower, these deals allow us to increase aggregate NFI and enable us to service clients more efficiently. Gross margins were 11.1% (2018: 11.3%) driven by the change in contractor margins, partly offset by the increase in permanent NFI mix.

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

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

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

## Underlying results

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

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

## Discontinued operations and non-underlying costs

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

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

The closure of our operations in the United Arab Emirates, Qatar, Malaysia and Singapore and withdrawal from the Telecoms Infrastructure contractor markets in Africa, Asia and Latin America are now operationally complete (with some further non-underlying costs to be accounted for in 2020) as well as the closure of our Bromley office. This has enabled us to reduce more costs than the future expected NFI foregone, at the same time simplifying our business and degearing our operational Profit and Loss ('P&L'). This in turn enables us to focus our resources on building our North America operations and to reorganise our UK activities to better capitalise on the very substantial growth opportunities that still exist within our chosen niches of technology and engineering skills.

## Chief Financial Officer's Report continued

### Taxation

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

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

### Earnings per share

Basic earnings per share was negative 18.3 pence (2018: negative 85.3 pence), and on a fully diluted basis was negative 17.8 pence (2018: negative 85.3 pence).

Continuing underlying basic earnings per share grew by 22.2% to 27.5 pence (2018: 22.5 pence).

### Dividends

Given the economic headwinds particularly in the UK, and the significant non-underlying costs in 2019, the Board is not recommending a final dividend. Our continued policy is to achieve a through the cycle dividend payout of approximately 50% of profits after tax, subject to a sustained reduction in net debt. The Board will review any dividend in respect of 2020.

### Tangible and intangible assets

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

### Net assets and shares in issue

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

### Cash flow and net debt

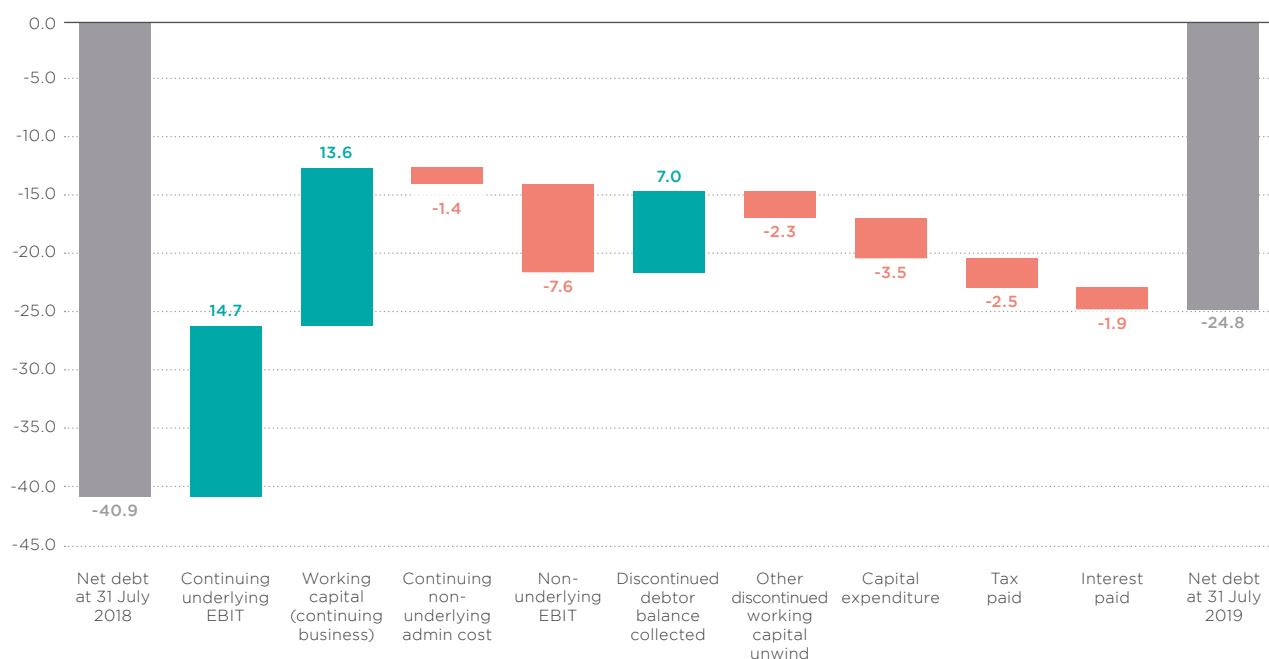
Net debt at 31 July 2019 was £24.8m (2018: £40.9m), consisting a working capital facility of £29.1m (2018: £35.9m), bank term loan of £15.0m (2018: £15.0m), less cash of £19.2m (2018: £9.8m) and capitalised finance costs of £0.1m (2018: £0.2m).

### NET DEBT

# £24.8m

(2018: £40.9m)

## Cash flow & new debt



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

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

Other key drivers of cash flow are summarised in the chart above.

### Cooperation with the US Department of Justice ('DoJ')

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

### Banking facilities and interest rate risk

In September 2019 we conducted a tender for our financing facilities with strong interest from a number of mainstream commercial banks. We are pleased to have negotiated new facilities with HSBC with whom we have a long-standing relationship.

As of October 2019 the Group has facilities of £90m, consisting of a £75m working capital financing

facility and a £15m bank term loan. These arrangements are due to expire in October 2022 and the committed bank loan reduces to a £7.5m facility by 31 July 2020 and a £5m facility by 31 October 2020.

These facilities include three covenants: Interest Cover, Adjusted Leverage and RCF (revolving credit facility) Leverage to adjusted EBITDA. We are comfortable with our ability to service our debt and meet our covenants and we monitor projections for covenant ratios as part of our routine monthly reporting. One of our medium-term treasury goals is to eliminate our RCF and to rely principally on our working capital financing facility for our funding requirements.

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

## Chief Financial Officer's Report continued

### Brexit

The Board continues to follow Brexit developments and will follow the ultimate detailed trade negotiations. The economic effect of these developments on business confidence is an important factor for us to the extent it affects the UK economic environment, as noted in the Principal Risks and Uncertainties report on page 38.

### IR35

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

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

### Supporting the business

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

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

The large legacy Networkers finance team, which was in our Bromley office, is now disbanded and their function is fully integrated in our Whiteley headquarters, led by a new Group Controller who is making significant improvements

in processes and capability. Our financial planning and analysis team is now also fully embedded, providing business and commercial support to our frontline staff. Together these teams have been instrumental in allowing us to gain full visibility of the underlying economics of our different business lines and they also enabled us to execute the many changes to the business in a controlled and risk-managed manner.

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



### Critical accounting policies

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

### IFRS 16

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

### Group financial risk management

The Board reviews and agrees policies for managing financial risks. The Group's finance function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It seeks to ensure that adequate liquidity exists at all times, to meet its cash requirements. The Group's financial instruments comprise

borrowings, cash and various items, such as trade receivables and trade payables that arise from its operations, and some matching forward foreign exchange contracts. The Group does not trade in financial instruments. The main risks arising from the Group's financial instruments are described below.

### Credit risk

The Group trades only with recognised, creditworthy third parties. We monitor receivable balances on an ongoing basis and as a result the Board feels the exposure to bad debt is not significant. There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 4% (2018: 4%) of total receivables balances at 31 July 2019. During the year we increased our provision for doubtful debts by £0.6m primarily in relation to our discontinued operations.

### Foreign currency risk

The Group generates 14% of its annualised NFI from continuing business in international markets. The Group does face risks to both its reported performance and cash position arising from the effects of exchange rate fluctuations. The Group manages these risks by matching sales and direct costs in the same currency and entering into forward exchange contracts to minimise the gap in assets and liabilities denominated in foreign currencies.

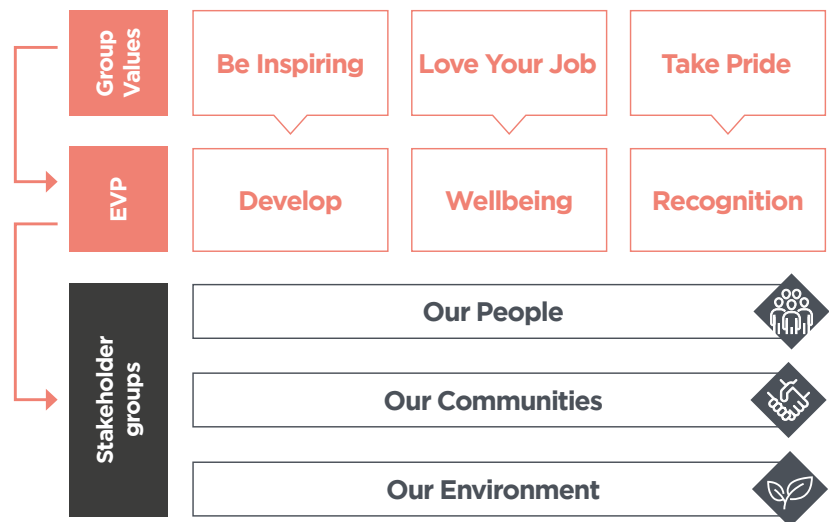
### Salar Farzad Chief Financial Officer

5 November 2019

# Ensuring Gattaca is a great company to work for

We place great emphasis on operating responsibly and we consider the potential impact on all our stakeholder groups when making business decisions, including them in those decision-making processes where possible.

We centre our initiatives around 'Evolve', our employee value proposition. With its three pillars of Wellbeing, Recognition and Develop, this fosters a high-performing culture centred around collaboration, support and growth. Each pillar promotes our core values; Love Your Job, Take Pride and Be Inspiring.



**Jennie Mead**  
HR Director

**We pride ourselves on being renowned in our industry for placing great emphasis on building a high-performing culture based on continued development.**

Our training programme at Gattaca is one of the key differentiators that drive people towards a career here. Right at the point of hiring our talent, we look for key behaviours that suggest individuals want to be at the top of their field, have a strong desire to learn and be coached, are eager to collaborate with others and demonstrate initiative. These behaviours are fostered right through our onboarding programme, which sets the teams up for success.

*“As a people business it’s fundamental that we bring in high-quality talent and support them with development. We recognise that the reputation they build in their specialist market is Gattaca’s reputation.”*



# Develop

Linked to our value to Be Inspiring

*“Without ambition, we wouldn’t achieve anything. We strive to set an example in everything we do and aim to make a positive difference to everyone we work with.”*



## Our People

Our strong reputation for training and development supports us in attracting the best talent and developing them into market-leading consultants.

Our approach to development centres around using technology to diversify learning opportunities and increase collaboration across the Group, and as part of this we have invested in a new online social learning platform called Fuse.

We’ve seen increased engagement between the layers of the Group through the success of our mentoring programme, with 42 active pairings during the year between management and leadership grades.

Succession planning is embedded into our culture in employees’ career plans and our performance evaluation process. This year we have invested in leadership training and all our management team have regular 360-degree reviews. We also utilise a 180-degree feedback tool for all staff, encouraging more rounded feedback to support with development.

We are committed to being an inclusive organisation and welcome everybody. Diversity is important to us; 46% of our global workforce at 31 July 2019 were women, including 20% of our global leadership team.

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.

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 Group consistently seeks to recruit, develop and employ suitably qualified, capable and experienced people in an environment of equal opportunity.

## 17.5%

OF STAFF PROGRESSING THROUGH PROMOTION OR LATERAL MOVES

## 23.4k miles\*

SAVED FROM OUR NEWLY LAUNCHED CAR SHARE SCHEME, THE EQUIVALENT OF FOUR TONNES OF CO<sub>2</sub> A YEAR

\* As of November 2019



## Our Communities

We take a keen interest in supporting younger generations to develop skills in technology and engineering. We are actively involved as STEM ambassadors and speak at colleges and universities on the career options in these fields.

We align ourselves with organisations running STEM-related programmes, and sponsor and promote their cause. We are passionate in supporting non-profit organisations, such as “Girls in Tech” in the US, to make a positive impact in the community.

We’re keen to work with our clients to ensure that we support them with developing strategies for candidate attraction, including diversity and inclusion initiatives. We also regularly co-host a number of events on topics such as skill generation and diversity in the workplace.



## Our Environment

We continually strive to make incremental improvements to how we impact our environment. In the year we have introduced a car share initiative and maintain a Cycle To Work scheme, helping our people make their commute more environmentally friendly.

This year we have also achieved phase 2 of our Energy Savings Opportunities Scheme (ESOS).



# Wellbeing

Linked to our value Love Your Job

*“Working in recruitment, we know how important it is to find a job you love. We enjoy the work we do and have fun with the people we work with, including our colleagues, our candidates and our clients.”*



## Our People

We take a holistic approach to wellbeing driven by the employee led Wellbeing Committee, believing that our people being healthy, happy and financially stable plays a key role in the Group's success.

The positive work of our financial wellbeing programme was recognised this year, resulting in us being a finalist at the 2019 Employee Benefits awards. We delivered new initiatives from financial support providers for workplace loans, financial education, and saving plan offerings which help our people achieve short-term financial goals.

We also introduced increased flexible working options, allowing colleagues, where appropriate, to choose a working pattern best suited to them.

Health and safety also forms a critical part of our wellbeing. We encourage our people to identify possible improvements as part of a healthy and safe culture, active reporting on incidents and near misses, but also promoting preventative measures.

We ran our second Mental Health Awareness week this year, which built on the campaign we ran in 2018 and we saw an increased uptake of interaction from our staff during the week.

We conduct an employee engagement survey, which is designed to capture engagement on an ongoing basis via weekly

questions. 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. The Board review this feedback regularly.



## Our Communities

Our community initiatives are driven by our Corporate Social Responsibility ('CSR') Committee, which is also employee led. "Healthy Community" is one of the five core elements of our Wellbeing EVP pillar, and we encourage our people to engage with their communities and charities that they want to support. All charities that we work with are put forward by our employees and we support active participation in these causes.

This year, our employees fundraised for and contributed volunteers to a range of organisations, raising over £50,000 (2018: £40,399) for charities including Friends of PICU, Children with Leukaemia and ReStart. We also held activities in support of annual charity events such as Macmillan Coffee Morning, Ovarian Cancer Awareness Month and Children in Need.



## Our Environment

Our increased flexible working offering is reducing the impact of our people on our environment, with more colleagues working from home on either a permanent or regular basis.

We are continuing to encourage the use of video conferencing to support agile working, as this further reduces our travel impact as well as fostering improved collaboration. With the expected technology advancements to our Primary Business Systems, we have also set ourselves a reduced paper consumption target to achieve by 2021.

**£50,000**

RAISED FOR OUR CHOSEN CHARITIES THIS YEAR

**79%**

SCORED IN OUR ENGAGEMENT SURVEY, IN THE THEME "MY WORK"



# Recognition

Linked to our value Take Pride

*“We encourage each other to be the best we can be so we can continually improve the service we provide. We want our staff to take pride in their achievements and recognise the achievements of others.”*



## Our People

We continue to see strong engagement and collaboration from employees across the Group, from our work on our Recognition EVP pillar. This year our incentives included theatre trips, private dining experiences, holiday vouchers and many other great rewards.

Our peer-to-peer feedback tool is widely used and contributes to performance management, allowing our people to recognise one another.

We pride ourselves on our team-based environment and regularly celebrate team success. We promote this success internally and externally. Group recognition is a great way to encourage team building.

In order to showcase outstanding performance so that our people understand and recognise what success looks like, our Group-wide annual recognition awards take place at the end of each calendar year. These awards are all given to employee nominated winners.

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.

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. Employees are regularly updated on financial and economic factors that affect the performance of the Group and the Group's SIP share scheme encourages employee engagement in the financial performance of the Group.



## Our Communities

We engage with wide-ranging projects to promote improved communities.

For the second year running we have been active with beach cleans in the UK, involving our families and friends to make this a true team effort.

We maintain our long-standing support for our chosen primary charity, Friends of PICU, and sponsor its annual charity ball and golf tournament. Not only are these great events to fundraise for, but to also recognise the hard work that goes into the amazing support that the charity provides.



## Our Environment

We have successfully integrated our three UK offices from our Resourcing Solutions acquisition in Reading, Uxbridge and Derby into our ISO 14001 processes and all UK sites are now included in our certification.

We have continued to ensure all our refurbishments and relocation projects reuse or recycle all furniture items where possible. We also ensure all materials purchased for these projects are from sustainable sources.

# 66

**LONG SERVICE AWARDS  
IN THE YEAR**

# 40%

**OF OUR STAFF  
DONATED TO CHARITY  
THROUGH PAYROLL**

## Risk Management

# The Group is well placed to manage its business risks successfully

**Risk and uncertainties are an inherent part of any business, and the Board recognises that our approach to risk needs to reflect our strategic priorities, commercial reality, and our ability to effectively manage the potential impact in the event the risk materialises.**

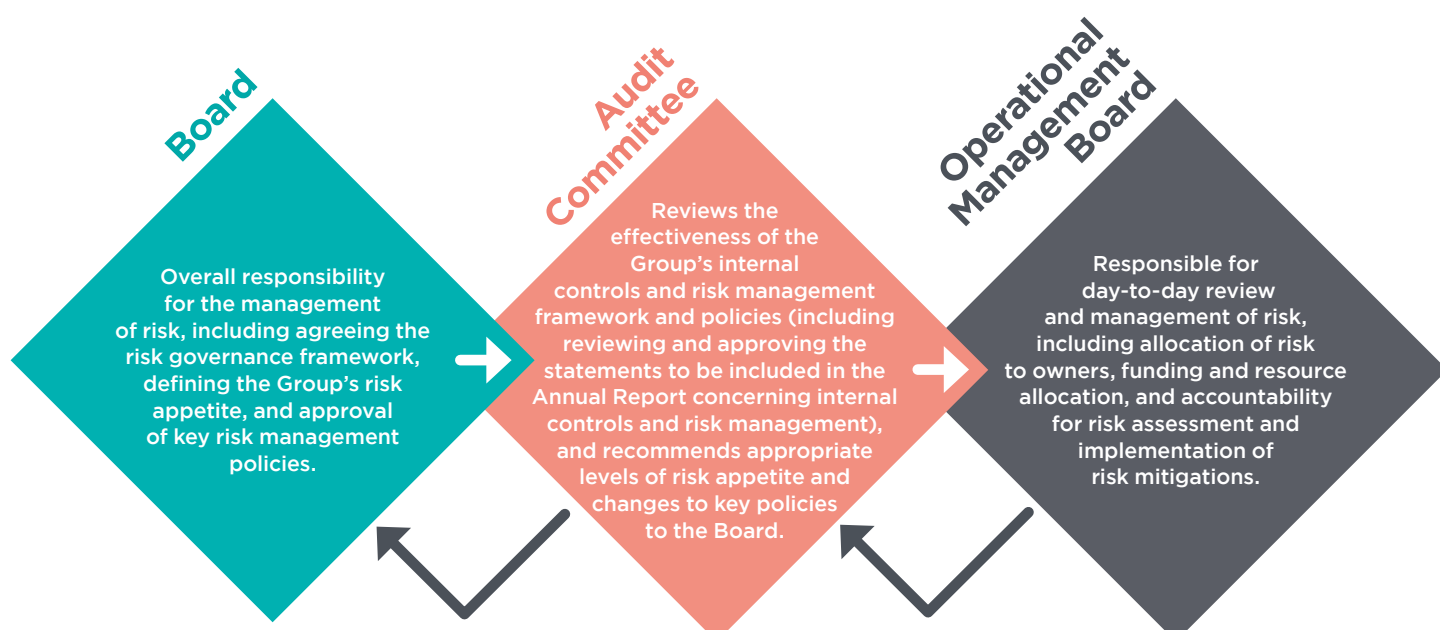
Ultimate responsibility for risk management rests with the Board, primarily via the Audit Committee, but day-to-day management of risk is delivered through the way we do business and our culture. Opportunities and threats are assessed using a “top-down” and “bottom-up” approach, taking into account the views of the Board and operational Management Board, and those of each business function as regards the risks relevant to their area.

The Board, primarily via the Audit Committee, is responsible for establishing and maintaining the Group’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; and
- The Board is responsible for identifying the major business risks faced by the Group 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 operational Management Board, the Audit Committee and the Board, all of which recognise that continual improvement in this area is a key objective for the business.





**Katie Selves**

Group Company Secretary  
and General Counsel

*“We actively avoid risks that could impact the safety of our staff, clients or contractors, our reputation, our adherence to legal and regulatory responsibilities or where the potential impact of the risk could endanger the future of our business.”*

### Going concern

The Directors consider that the Group has adequate financial resources to continue operating for the next 12 months from the date of this report, 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 for the year ended 31 July 2018 onwards. 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 2022.

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 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 risks and uncertainties facing the Group as set out on pages 38 to 41. In addition, Note 26 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.

## Principal Risks and Uncertainties

# Effective Risk Management

Our Corporate Governance Statement on pages 48 to 52 describes the Group's governance structure.

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.

Financial		
Risk	Mitigation	Status
<b>Financing</b>		
<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. A lower level of underlying profitability reduces the leverage ratio headroom of financial covenants.</p>	<ul style="list-style-type: none"> <li>We maintain serviceable levels of debt which we have been reducing.</li> <li>At the year end, the Group had financing facilities of £90m, comprising a £75m Invoice Financing Facility and a £15m Term Loan Facility, both committed until October 2020. Subsequent to the year end the Group completed a refinancing and as of 31 October 2019 the Group has facilities of £90m, consisting of a £75m working capital financing facility and a £15m bank term loan. These arrangements are due to expire in October 2022.</li> <li>We have a rigorous approach to forecasting both net debt and trading results monthly, looking forward to at least the next four covenant periods.</li> <li>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.</li> <li>We have procedures to check the creditworthiness of new clients with external agencies, regularly reviewing credit limits.</li> <li>The Group has a diverse mix of clients and is not financially dependent on any single client.</li> </ul>	<p>M</p> <p>◀▶</p>
<b>Foreign exchange</b>		
<p>Trading across international borders raises the risk of foreign exchange differences between trading currencies, in terms of both cash and translated results. Since the EU referendum in the UK in 2016, there remains high volatility in the value of GBP against overseas currencies, predominantly Euro and US Dollar, which we identified by way of an increased risk in last year's Annual Report.</p>	<ul style="list-style-type: none"> <li>For sales denominated in foreign currency, the Group seeks to ensure associated direct costs are denominated in the same currency.</li> <li>The Group monitors the gap in assets and liabilities denominated in foreign currencies required to be translated into Sterling at the year end exchange rate.</li> <li>The Group regularly exchanges surplus foreign currency to minimise the gap in assets and liabilities denominated in foreign currency.</li> </ul>	<p>L</p> <p>◀▶</p>
<b>Market</b>		
<b>Economic environment</b>		
<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. Too great a concentration in one market increases this risk.</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>Due to the continuing uncertainty and, specifically, the increased risk of a no-deal exit from the EU, we have increased the risk for this financial year.</p>	<ul style="list-style-type: none"> <li>70% of the Group's continuing NFI is generated from contract business across a broad range of sectors and clients, leading to more stable business streams.</li> <li>The Group generates 14% of its continuing NFI from its offices in overseas territories, thereby helping reduce the risk of reliance on the UK marketplace.</li> <li>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.</li> <li>We continue to manage the balance between temporary and permanent business, to ensure flexibility in the face of increasing uncertainty arising from the UK's withdrawal from the EU.</li> </ul>	<p>M</p> <p>▲</p>



## Key

## Relative severity

**H** High   **M** Medium   **L** Low

## Changed during the year

▲ Increased   ◀▶ Stable   ▼ Decreased

## Market continued

Risk	Mitigation	Status
<b>Dependence on key clients</b>		
<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> <p>Due to the increased economic uncertainty (as highlighted above) as a result of the risk of a no-deal exit from the EU and the associated political uncertainty, we consider there to be an increased risk of client bankruptcies resulting in non-payment of receivables.</p>	<ul style="list-style-type: none"> <li>The Group has a very broad base of clients, with no dependency on any one client.</li> <li>The Group continues to follow its strategy to diversify its client base and the mix of its UK and international operations.</li> <li>The Group's legal team review non-standard commercial contracts and adhere to a contract playbook which defines our risk appetite. Where appropriate, we liaise with our insurance providers regarding onerous non-standard terms.</li> <li>We conduct detailed and regular credit reviews of all of our client accounts.</li> <li>We maintain credit insurance on a small subset of our clients, and separately the Group holds appropriate levels of public liability, employers' liability and professional indemnity insurance.</li> </ul>	<p><b>M</b></p> <p>▲</p>
<b>Competitive environment</b>		
<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>	<ul style="list-style-type: none"> <li>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.</li> <li>The Group is focusing increasingly on exclusive arrangements and new solutions.</li> <li>Greater regulatory and compliance requirements in the recruitment industry are increasing barriers to entry.</li> <li>We are well under way to implementation of end-to-end, integrated systems covering applicant tracking and vendor management through to billing, collections and payments.</li> </ul>	<p><b>M</b></p> <p>◀▶</p>
<b>Shortage of skilled candidates</b>		
<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 a shortage reaches extreme levels, it may not be possible to fill vacancies.</p>	<ul style="list-style-type: none"> <li>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.</li> <li>In the event of restrictions on free movement of workers as a result of the UK's exit from the EU, we do not anticipate significant impact as the majority of our UK-placed contractors are UK nationals.</li> </ul>	<p><b>L</b></p> <p>◀▶</p>



## Principal Risks and Uncertainties continued

Operational		
Risk	Mitigation	Status
<b>Talent acquisition and retention</b>		
<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>Management is currently steering the Group through a period of significant change to align our internal operating model to our markets.</p>	<ul style="list-style-type: none"> <li>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.</li> <li>We run an employee engagement survey, designed to capture engagement on an ongoing basis. For further details, please refer to page 25.</li> <li>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.</li> <li>Our contracts contain appropriate notice periods and post-termination restrictive covenants and we conduct exit interviews to understand reasons for attrition.</li> <li>We continue to engage and consult with employees who are affected by change to mitigate adverse impact.</li> </ul>	<p>M</p> <p>▲</p>
<b>Systems and security</b>		
<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"> <li>We are well under way to implementation of end-to-end, integrated systems covering applicant tracking and vendor management through to billing, collections and payments. The implementation of any new system presents increased risk, but we have engaged experts to manage this project, have strong project governance, conduct regular project reviews and have risk mitigation plans in place. We expect, in the longer term, that these investments will reduce this risk.</li> <li>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.</li> </ul>	<p>H</p> <p>▲</p>
<b>Data governance</b>		
<p>The Group works with confidential, sensitive and personal data daily in multiple jurisdictions under a variety of laws and regulations.</p> <p>A material data compliance failure could expose the Group to potential legal, financial, operational and reputational risks.</p>	<ul style="list-style-type: none"> <li>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.</li> <li>All employees receive data protection training on joining the Group, and regular refresher training sessions. Specialised training is provided where required.</li> <li>The Group is GDPR compliant and maintains dedicated resource in the compliance team to ensure continued compliance. We monitor developments in the law and manage our response as appropriate.</li> </ul>	<p>M</p> <p>◀▶</p>
<b>Business continuity</b>		
<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>	<ul style="list-style-type: none"> <li>The Group's approach to business continuity focuses on our critical systems and processes to ensure continuity of service, including crucially the payment of workers engaged on our clients' sites. Our planned transition to cloud-hosted solutions will enhance our ability to enable remote working and reduce the reliance on local office hardware.</li> </ul>	<p>L</p> <p>◀▶</p>

## Key

## Relative severity

**H** High   **M** Medium   **L** Low

## Changed during the year

▲ Increased   ◀▶ Stable   ▼ Decreased

## Regulatory and legislative environment

Risk	Mitigation	Status
<b>Legal and fiscal compliance</b>		
<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"> <li>The Group continues to invest in its dedicated 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 advisers as appropriate.</li> <li>The Group also works closely with the Recruitment and Employment Confederation ('REC') to ensure it is up to date with all industry trends and best practice relating to current and emerging legislative and regulatory changes in the markets we operate in.</li> <li>The Group has clearly defined standards covering our business activities, which are outlined in our Code of Professional Conduct with which all employees are required to comply. The Group also has clear policies and statements setting out the Group's zero-tolerance approach to Bribery and Corruption, Facilitation of Tax Evasion, and Modern Slavery. All of these core policies are referred to in our contracts of employment, and are underpinned by training to reinforce these policies, and the associated required behaviour from employees.</li> <li>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.</li> <li>The Group maintains an independent whistleblowing reporting service for employees to raise any matters of concern anonymously. Any reported incidents are investigated and reported to the Audit Committee.</li> <li>The Group has a dedicated senior tax resource and utilises the expertise of external advisers across the jurisdictions in which we operate. The Audit Committee provides governance and oversight of the Group's tax risks.</li> <li>As a leading staffing solutions provider, we are advanced in our understanding of, and preparations for, the forthcoming changes to the IR35 rules in the private sector and we are working closely with our clients, with whom the primary responsibility for determination rests, to manage this change.</li> <li>Although there has been an increase in legal and regulatory requirements on our business over the past few years, we are comfortable that we are managing these external developments appropriately and responsibly. In this regard, we consider that the external risk environment in this area has not changed. As noted in our trading update announcement on 6 August 2019, we continue to cooperate with the US Department of Justice predominantly in relation to activities by Networkers International prior to its acquisition by Gattaca in 2015.</li> </ul>	<p><b>H</b></p> <p>▲</p>

## Strategic Report approval

The Strategic Report on pages 11 to 41 was approved by the Board of Directors on 5 November 2019 and signed on its behalf by

**Kevin Freeguard**  
Chief Executive Officer

**Salar Farzad**  
Chief Financial Officer

## Case Study: Solving our clients' challenges

# 27%

OF GROUP CONTINUING NFI  
FROM GATTACA SOLUTIONS  
RELATIONSHIPS

# 27

CLIENTS  
WITH BESPOKE  
VALUE PLANS

# 35 years

INDUSTRY  
EXPERIENCE

## Case Study

# Specific services designed and delivered by subject matter experts

**Our services improve our clients' businesses by looking at the broader challenges they face, enabling them to deliver their projects and realise the best way to engage and utilise talent in order to achieve their strategic objectives.**

### Breadth

We implement new HR technologies, pay and bill systems, we move thousands of desktops over weekends, we redesign clients' employer brands, build and manage supply chains, we provide processes to tackle legislative change and we help clients tackle key agenda items such as diversity and inclusion.

### Experience

We continuously seek to identify opportunities for our clients to be more successful. Having delivered outsourced staffing solutions for over 20 years, we have long since left behind the mentality of "just placing candidates". Clients have always benefited from the in-depth knowledge of our specialist recruitment consultants; however, we now support clients beyond just talent availability and supply. We have experts in engineering and technology project delivery, business change, technology implementation, diversity, legislation and employer branding.

### Knowledge share

This capability allows us to engage with our clients earlier in the decision cycle, moving up the value chain, solving future client challenges and giving them a greater competitive advantage.

These services provide clients with the insight to be able to make more informed business decisions, learning from enhanced processes and knowledge from outside their organisations. We enable clients to work together in these environments to solve their challenges, not just by talking to Gattaca, but through collaborative, peer-to-peer engagement.

# Corporate Governance

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**ADD VALUE  
BY PRODUCT**



**COLLABORATIVE HIGH-  
PERFORMING CULTURE**



# Committed to a culture of good governance



*“The Board is responsible for ensuring strong governance throughout the Group's operations to support management in building sustainable growth for all of our stakeholders.”*

**Patrick Shanley**  
Non-Executive Chairman

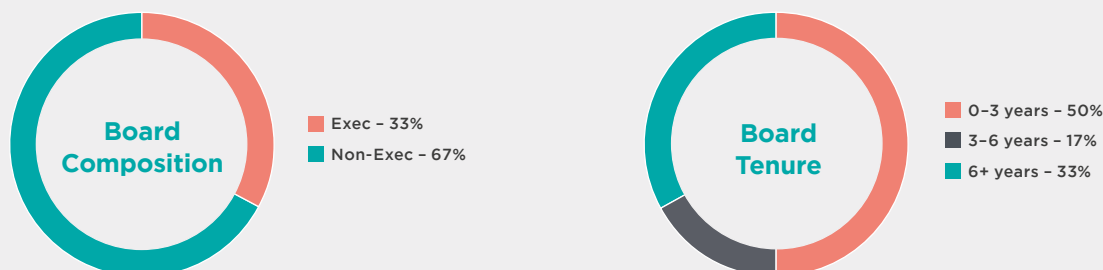
I am pleased to present the Board's Annual Report on Corporate Governance. The Board recognises that strong governance is an essential enabler to the delivery of our strategic objectives and long-term success, and is committed to maintaining a meaningful governance framework that reflects our commitment to acting transparently and with integrity. The Board is responsible for ensuring strong governance throughout the Group's operations to support management in building sustainable growth for all of our stakeholders.

During 2018, the Board chose to formally adopt the QCA's Corporate Governance Code ('the QCA Code'). In addition, where appropriate for our business, Gattaca also seeks to comply with certain provisions of the UK Corporate Governance Code, on a voluntary basis. This Annual Report, together with the information on our website, sets out how we comply with the principles of the QCA Code and provides insights into how our governance framework underpins our day-to-day activities and decisions.

**Patrick Shanley**  
Non-Executive Chairman

5 November 2019

## Corporate Governance at a glance



### The right balance of skills and experience

	Executive	Non-Executive	Appointed	Tenure (years)
Patrick Shanley (Chair)		◇	December 2015	3
Richard Bradford		◇	August 2011	7
David Lawther		◇	June 2018	1
George Materna		◇	July 1984	35
Kevin Freeguard	◇		October 2018	1
Salar Farzad	◇		June 2017	2

	Staffing Solutions	Customer service/marketing	People	Operations	International	Technology	Regulatory	Finance
Patrick Shanley (Chair)	◇	◇	◇	◇	◇	◇	◇	◇
Richard Bradford	◇	◇	◇	◇	◇	◇	◇	◇
David Lawther		◇	◇	◇	◇		◇	◇
George Materna	◇	◇	◇	◇	◇			
Kevin Freeguard <sup>1</sup>	◇	◇	◇	◇	◇	◇	◇	◇
Salar Farzad	◇	◇	◇	◇	◇	◇	◇	◇

<sup>1</sup> Appointed to the Board on 1 October 2018.

**42**  
**INTERACTIONS BETWEEN THE BOARD AND SHAREHOLDERS DURING 2018/19**

**3**  
**ISO CERTIFICATIONS: ISO 14001 (ENVIRONMENTAL), ISO 45001 (HEALTH & SAFETY) AND ISO 9001 (QUALITY)**

**98%**  
**BOARD ATTENDANCE**

## Board of Directors

# The right mix of skills and experience



**Patrick Shanley**  
Independent Non-Executive Chairman



**Kevin Freeguard**  
Chief Executive Officer



**Salar Farzad**  
Chief Financial Officer

### Appointment

December 2015

October 2018

June 2017

### Committee membership



### Skills and experience





Patrick has extensive boardroom experience and is currently Chairman of chemicals business, Accsys Technologies. Patrick has previously been CFO of Courtaulds plc and Acordis bv, CEO of Corsadi bv, Chairman of Cordenka Investments bv and of Finacor bv. 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.

Kevin was appointed as Chief Executive Officer 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.

Salar, a chartered accountant, has a background of finance leadership in high-paced international businesses experiencing significant change. His previous roles include Group CFO of Zodiac Media, Global Finance Director of Macmillan Science & Education, CFO of 2 Entertain, CFO of MTV Networks International and finance leadership roles with EMI Music within its North American and digital operations. His early career was with Price Waterhouse in Audit followed by lead advisory M&A.



**Key to Committee membership**

-  Audit Committee
-  Remuneration Committee
-  Nomination Committee
-  Chairman



**George Materna**  
Non-Executive  
Deputy Chairman



**Richard Bradford**  
Independent Non-  
Executive Director



**David Lawther**  
Independent Non-  
Executive Director



**Katie Selves<sup>1</sup>**  
Group Company  
Secretary and General  
Counsel

July 1984

August 2011

June 2018

December 2017



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. The Board does not consider George to be independent.

Richard is Chairman of InHealth Group, the leading independent UK provider of Diagnostic Services and investor in digital health ventures. He is a Director and Deputy Chair of IHPN, and has a background in leading service businesses, in his early career in Logistics and then for 11 years as Chief Executive of Carlisle Group up to and including the merger to create Impellam.

David is a senior leader in the global construction industry. He was formerly CEO at ISG Plc, where he grew the company to a £1.6bn turnover, operating internationally in 26 countries - gaining its reputation as a world-leading fit-out specialist focused on commercial, retail and data centres. Prior to that, David was Chief Financial Officer at ISG. David has served as the Group Finance Director for Wilson Connelly Holdings, a quoted house builder and commercial property developer operating across the UK.

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 Head of Legal and Compliance 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.

<sup>1</sup> Katie Selves is not a member of the Board


**Note:** Mark Mamone was an Independent Non-Executive Director of the Board until he resigned on 5 December 2018.







Keith Lewis was an Executive Director of the Board and Chief Operating Officer until he resigned on 5 November 2019.

## Corporate Governance Statement

# QCA Code compliance

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code. Set out below is our Statement of Compliance with the key principles of the QCA Code.

Governance Principle	Compliant	Explanation	Further reading
1 Establish a strategy and business model which promotes long-term value for shareholders		By providing recruitment solutions and support to both clients and candidates with engineering and technology skills, we help to unleash potential in people, projects and companies.	 See pages 12 to 21
2 Seek to understand and meet shareholder needs and expectations		The CEO and CFO communicate regularly with shareholders, investors and analysts, including at our half-yearly results roadshows. The full Board is available at the Annual General Meeting ('AGM') to communicate with shareholders.	 <a href="http://www.gattacapl.com/investors/corporate-governance">www.gattacapl.com/investors/corporate-governance</a>
3 Take into account wider stakeholder and social responsibilities and their implications for long-term success		Aside from our shareholders, our clients, candidates and contractors, suppliers, and employees are our most important stakeholders. We engage with these communities via regular communications in our day-to-day activities, and via formal feedback requests.	 See pages 19 and 32 to 35
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation		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.	 See pages 36 to 41
5 Maintain the Board as a well-functioning, balanced team led by the Chair		The Board has three established Committees for Audit, Nominations and Remuneration. The composition and experience of the Board is reviewed regularly, primarily by the Nominations Committee.	 See pages 62 to 64 (Nominations Committee Report)
6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities		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.	 See pages 45 and 47
7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement		The Board regularly considers the effectiveness and relevance of its contributions, any learning and development needs and the level of scrutiny of the Senior Management Team. An independent Board Effectiveness Review was commissioned during 2019, the results of which will be reviewed and implemented, as appropriate, during the current financial year.	 See page 52

Governance Principle	Compliant	Explanation	Further reading
<p><b>8</b> Promote a corporate culture that is based on ethical values and behaviours</p>		<p>Our Code of Professional Conduct sets out our corporate values and behaviours, which are reinforced via training and performance management.</p>	 See pages 32 to 35
<p><b>9</b> Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</p>		<p>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 Board maintains a list of matters reserved for the Board.</p>	 See pages 36 and 37 and <a href="http://www.gattacaplc.com/investors/corporate-governance/role-of-the-board">www.gattacaplc.com/investors/corporate-governance/role-of-the-board</a>
<p><b>10</b> Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>		<p>The Investors section of our website includes our results, presentations and communications to shareholders. We release the results of general meetings through a regulatory news service and also on the Regulatory News section of our website.</p>	 <a href="https://www.gattacaplc.com/investors">https://www.gattacaplc.com/investors</a>

### Board composition

The Board, via the Nominations Committee, regularly reviews the composition of the Board. At the date of this report, the Board has four 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 George Materna's 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 three Independent Directors and three Non-Independent Directors (including Executive Directors).

The Board is cognisant of the current mix of Independent and Non-Independent Directors and will continue to monitor and consider this in the current financial year.

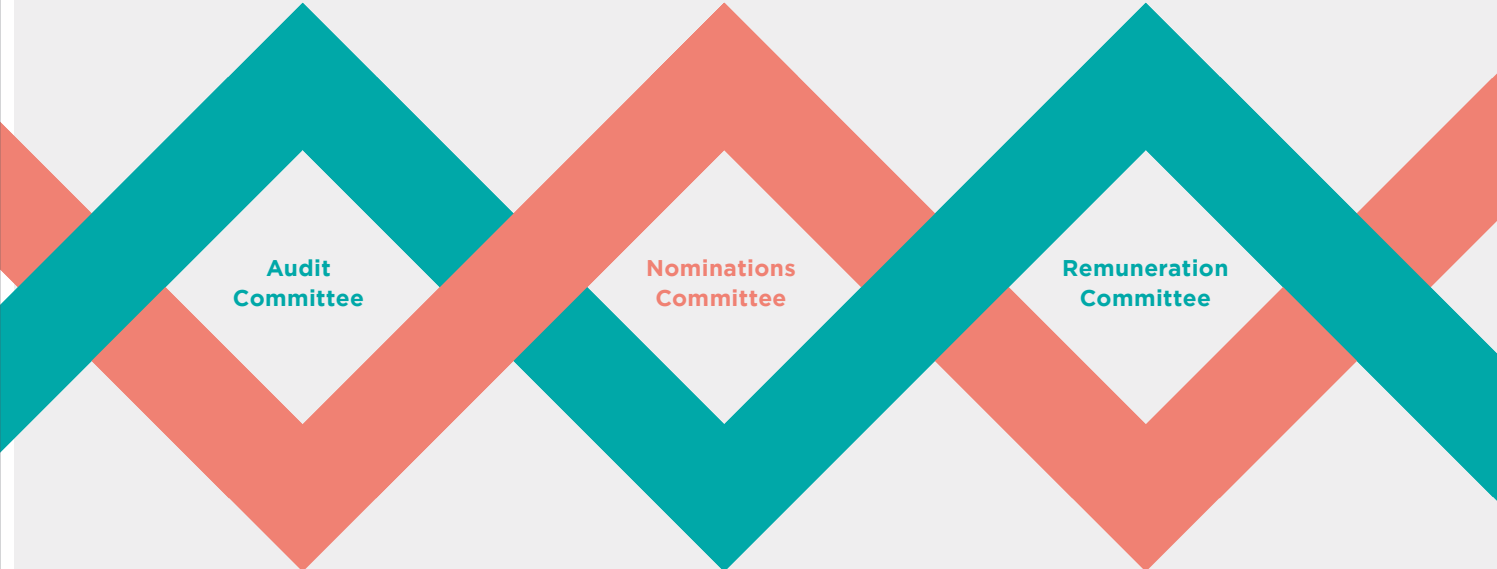
Under the Company's Articles of Association, all Directors must retire at the first AGM following their appointment and may offer themselves for election or re-election by shareholders. In accordance with best practice, all Directors will retire at the AGM and, being eligible, will offer themselves for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

## Corporate Governance Statement continued

### Governance structure

The Board has three established Committees for Audit, Nominations and Remuneration which each have Terms of Reference that are reviewed at least bi-annually by the Board, and revised as deemed necessary and appropriate. 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 summarised below:



#### Audit Committee

The Committee monitors the integrity of the interim and annual Financial Statements and formal announcements relating to the Group's financial performance. It reviews significant financial reporting issues, accounting policies and disclosures, reviews the effectiveness of internal controls, as well as overseeing the engagement and scope of the annual audit.

The Audit Committee report on pages 56 to 61 contains further information on the Committee's role and activities.

#### Nominations Committee

The Committee reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board with regard to any changes required to ensure an appropriate balance of skills, expertise, knowledge and independence.

The Nominations Committee report on pages 62 to 64 contains further information on the Committee's role and activities.

#### Remuneration Committee

The Committee reviews and makes recommendations as to the Directors' remuneration, including benefits, terms of appointment and share schemes.

The Remuneration Committee report on pages 65 to 75 contains further information on the Committee's role and activities.

## Board Responsibilities

	Maximum meetings	Meetings attended
Patrick Shanley (Chair)	13	13
Richard Bradford	13	12
David Lawther	13	13
Mark Mamone <sup>1</sup>	5	5
George Materna	13	13
Kevin Freeguard <sup>2</sup>	10	9
Salar Farzad	13	13
Keith Lewis <sup>3</sup>	13	13

1 Resigned from the Board on 5 December 2018.

2 Appointed to the Board on 1 October 2018.

3 Resigned on 5 November 2019.

The Board recognises its employment, environmental and health and safety responsibilities and 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.

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 (actual and forecasted) against the agreed budget and any significant variances. We report to our shareholders on a half-yearly basis. 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 following matters are 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 Committees.
- 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 Statement continued

### Conflicts of interest

Each Director is required, in accordance with Companies Act 2006, to declare on appointment any interests that may give rise to a conflict of interest with the Company and its subsidiaries 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.

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 2019 financial year.

### Information and support

Directors are regularly briefed on regulations which affect the business through presentations arranged by our advisers and our leadership team. During the year we specifically covered anti-facilitation of tax evasion, the non-financial reporting requirements and AIM rules. Directors are also encouraged to remain up to date through independent seminars and continuous professional development courses.

The Board also 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 two 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.

The Group receives advice from a number of external advisers. Specific advisers to the Board committees are set out in the Committee reports at pages 56 to 75. During the year, the Board received specific advice on the structuring of its finance arrangements and the Group's continued cooperation with the US Department of Justice, and the Remuneration Committee received advice on the Directors' Remuneration Policy.

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 Group'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.

### Board evaluation

During the year, the Board commissioned an independent Board Evaluation, which included face-to-face interviews with all Directors and members of the operational Management Board. The Evaluation was designed to measure the effectiveness of Board performance. The outcomes and suggested matters for further consideration will be addressed during the current financial year.

The Chairman conducts an annual performance appraisal of the CEO, and 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 of the Senior Management Team.

### Stakeholder engagement

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 the Chairman, Chief Executive Officer and Chief Financial Officer following announcement of our interim and preliminary results. The full Board receives reports on feedback from investors.

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

## Directors' Report

# Directors' Report

### Directors

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.

### 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 31 July 2019:

Shareholder	%
George Materna	24.40
MMGG Acquisition Ltd	14.99
Chelverton Asset Management	6.10
HRNetGroup	5.87
Paul Raine	5.52
Winterflood Securities	3.54

Subsequent to the year end, the Company has not been notified of any changes to significant shareholdings. As at 31 July 2019, approximately 28% of the Company's share capital was held by Directors, senior management and other employees.

The Group made no donations for political purposes either in the UK or overseas during the year (2018: £nil).

### 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 single 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 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.

## Directors' Report continued

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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### 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.

### Audit exemption

For the year ended 31 July 2019, Gattaca plc has provided a legal guarantee under s479A of the Companies Act 2006 to the following companies:

- Alderwood Education Ltd
- Application Services Limited
- Barclay Meade Ltd
- Cappo Group Limited
- Cappo International Limited
- Comms Software Limited
- CommsResources Limited
- Connectus Technology Limited
- Elite Computer Staff Ltd.
- Gattaca Recruitment Limited
- Gattaca Solutions Limited

- Matchtech Engineering Limited
- Matchtech Group (Holdings) Limited
- Matchtech Group Management Company Limited
- Matchtech Group (UK) Limited
- Matchtech Limited
- MSB Consulting Services Limited
- Networkers International Limited
- Networkers International Trustees Limited
- Provanis Limited
- Networkers International (UK) Limited
- Networkers Recruitment Services Limited
- Resourcing Solutions Limited
- The Comms Group Limited

This guarantee is dated 5 November 2019 and all the above entities have 31 July year ends.

### Auditor

In December 2018, the Board proposed, and shareholders approved at the AGM, the appointment of PwC LLP as the Company's registered independent public accounting firm for the financial year ended 31 July 2019, 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.

### Company registered office

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

### Company registered number

04426322



Further information on the following areas (which are incorporated into this Report by reference) can be found as follows:

A full description of the Group's principal activities, business performance, likely future developments, principal risks and uncertainties	See pages 1-41
Anti-Bribery and Corruption Statement	<a href="http://www.gattacaplc.com/investors/corporate-governance/statements">www.gattacaplc.com/investors/corporate-governance/statements</a>
Company's Articles of Association	<a href="http://www.gattacaplc.com/investors/shareholder-information/AIM-Rule-26">www.gattacaplc.com/investors/shareholder-information/AIM-Rule-26</a>
Corporate culture	See pages 32-35
Corporate responsibility (including environmental responsibilities and charitable donations)	See pages 32-35
List of Directors serving at the date of this Report	See page 45
List of principal subsidiary undertakings	See pages 115-117
Main Committees of the Board and their activities	See pages 56-75
Stakeholder engagement (including employee engagement and our commitment to equal opportunities)	See pages 32-35
Statement of Going Concern	See page 37
Use of financial instruments and financial risk management	See pages 30-31, 38, 128-129
Viability Statement	See page 37

### 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.

Approved by the Board and signed by order of the Board by:

**Katie Selves**

**Group Company Secretary and General Counsel**

5 November 2019

## Audit Committee Report

# Providing oversight and guidance

*“The Audit Committee provides oversight and guidance to contribute to strengthening Gattaca’s financial and control environment. Regulatory compliance continues to be embedded in the culture of the Company.”*



**David Lawther**  
Independent Non-Executive Director

### Committee activities in 2019

- Reviewing accounting policies and financial reports including key judgemental matters of accounting and disclosure
- Reviewing the Group’s tax strategy
- Monitoring the Group’s internal financial control environment including appointing new internal audit advisers in the year
- Meeting with and assessing the effectiveness of the Company’s external auditors

### Committee members

**David Lawther (Chair)**  
George Materna  
Richard Bradford

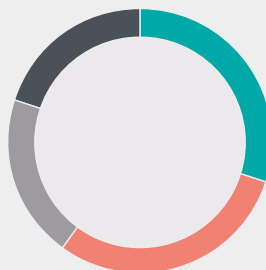
**5**

MEETINGS

**94%**

ATTENDANCE

### Committee experience



■ Management - 30%  
■ Industry - 30%  
■ Finance - 20%  
■ Recruitment - 20%

I am pleased to present the Audit Committee's ('the Committee') Annual Report on its activities for the period up to the review of 2019 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. 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 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.

### Membership of the Committee

During the year to 31 July 2019, the Committee comprised David Lawther (Chairman), George Materna and Richard Bradford, who joined the Committee in August 2018. Mark Mamone was previously a member, before he resigned from the Board on 5 December 2018.

On 1 August 2018, David Lawther was appointed Chairman of the Audit Committee. 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 five times during the year.

NED	Maximum meetings	Meetings attended
David Lawther (Chair)	5	5
Richard Bradford	5	5
Mark Mamone <sup>1</sup>	1	1
George Materna	5	4

<sup>1</sup> Resigned from the Board on 5 December 2018.

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](http://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.

## Audit Committee Report continued

### 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.
- **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 92. Management produces working capital forecasts on a regular basis, together with yearly covenant forecasts. The Board reviews those 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 page 37.
- **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 and estimation uncertainty. Further information is set out in Notes 10 and 16 to the Financial Statements. The provisions held by the Group as at 31 July 2019 were reviewed by management. The Committee agreed with management's assessment of the Group's tax provisions. The Committee reviewed the Group's Tax Strategy which was approved by the Board in June 2019.
- **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:** as part of the Committee's policy, certain specialist internal audit work is undertaken by external organisations. During the year, the Group appointed KPMG as internal auditors, to undertake a 12-month programme of testing focusing on the financial and non-financial processes and controls at the head office function in the UK. In addition, 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 45). The Group 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.

## 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 addresses
<b>Revenue recognition and recoverability of accounts receivables</b>	<p>The Group has well-developed accounting policies for revenue recognition as shown in 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>
<b>Goodwill and intangibles: assessment for impairment</b>	<p>As set out in Notes 1 (parts ix and x) and 13 to the Financial Statements, following the acquisition of Networkers in 2015, the Group recognised significant goodwill and finite life intangible assets.</p> <p>The acquisition of Resourcing Solutions Limited in February 2017 further increased the Group's goodwill and finite life intangible assets; information is set out in Note 13 to the Financial Statements.</p> <p>Goodwill and intangible asset impairment calculations (including assumptions about future performance of the Group) 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 2019 and reflecting on the decisions arising from management's detailed review of operations, the Committee agreed with management's recommendation that an impairment charge of £5.9m should be made in connection with the goodwill and finite life intangible assets in Networkers.</p>
<b>Contingent liabilities</b>	<p>As previously announced and further discussed on page 29, the Group is cooperating with the United States Department of Justice regarding certain factual enquiries. The Group is not currently in a position to know what the outcome of these enquiries may be and whether this line of enquiry will lead to any liabilities for the Company or its subsidiaries. The Committee has received regular reports from management in respect of the ongoing enquiries and, on that basis, has agreed with the conclusion management has reached in respect of contingent liabilities.</p>
<b>Accounting for and disclosure of non-underlying items</b>	<p>The Committee considered the accounting for and disclosure of non-underlying items (see Note 4 to the Financial Statements). The Committee reviewed with management and discussed the accounting and disclosure with the Company's auditors. The Committee concluded it was content with the accounting for and disclosure of non-underlying items.</p>

Shareholders' attention is drawn to the section titled "Responsibilities for the financial statements and the audit" in the Report from the independent auditor on pages 78 to 85, about specific areas as reported by the independent auditor in order to provide its opinion on the Financial Statements as a whole.

## Audit Committee Report continued

### Independent auditor: reappointment

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) ('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 2018, the Board proposed and shareholders approved at the AGM, the appointment of PwC LLP as the Company's registered independent public accounting firm for the financial year ended 31 July 2019.

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 July 2019), 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 whether the Group and Company Financial Statements are true and fair.
- 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 its 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 4 to the Financial Statements. Non-audit fees were £nil in both 2019 and 2018.

The Committee concluded that the level of non-audit fees, which represent 0% (2018: 0%) 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 operates 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.

### 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**

5 November 2019

Nominations Committee Report

# Ensuring the structure and experience of the Board



*“The Committee’s focus for the year has again been to ensure the structure and experience of the Board are suited to meet the opportunities and challenges facing the Group going forward.”*

**George Materna**  
Chairman of the Nominations Committee

**Committee activities in 2019**

- Appointment of Kevin Freeguard as Chief Executive Officer, commencing on 1 October 2018
- Review of the structure, size and composition of the Board and its Committees
- Consideration of succession plans for the Board and operational Management Board.

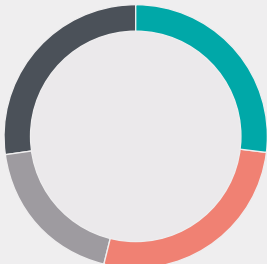
**Committee members**

**George Materna (Chair)**  
Patrick Shanley  
Richard Bradford

**2**  
MEETINGS

**100%**  
ATTENDANCE

**Committee experience**



- Management - 27%
- Industry - 27%
- Finance - 19%
- Recruitment - 27%



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

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

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

As announced on 8 November 2018, Mark Mamone stepped down from his non-executive role on 5 December 2018 to concentrate on his new executive position. On behalf of the Board, I would like to thank Mark for his intelligent contribution to the business and wish him every success in the future.

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

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.gattacapl.com](http://www.gattacapl.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 the operational Management Board, as appropriate;
- identify and nominate, for Board approval, candidates to fill Board and operational Management Board 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.

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.

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 three 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 following proposals from the Nominations Committee, within the limits set out in the Articles of Association, including reviewing the level of fees paid by comparator companies.

### Membership of the Committee

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.

NED	Max meetings	Meetings attended
George Materna (Chair)	2	2
Patrick Shanley	2	2
Richard Bradford	2	2

## Nominations Committee Report continued

### Nominations Committee activities

The key activities during the year have been in reviewing the structure, size and composition of the Board and its Committees. 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.

### 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, specifically in relation to the balance of Independent and Non-Independent Directors;
- continue to review succession plans for the Board and operational Management Board; 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 a diverse and inclusive culture as an essential element in maintaining Board effectiveness, our ability to respond to our diverse customer and stakeholder needs, and the long-term success of the Group.

The Board appreciates the range of perspectives, insights and challenge needed to support good decision making that a diverse culture brings. All appointments to the Board and its Committees will be made on merit, taking into account suitability for the role, composition, independence and balance of the Board, diversity of skills, background, knowledge, international and industry experience, tenure, age, gender, ethnicity, disability and sexual orientation.

### 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**

5 November 2019

## Remuneration Committee Report

# Remuneration to support the Group's strategic goals



*“Our approach to setting the remuneration targets in 2019 set out to focus the senior team on delivery of the Improvement Plan.”*

**Richard Bradford**  
Chairman of the Remuneration Committee

### Committee activities in 2019

- Undertook a review of the Remuneration Policy, to ensure that the Policy remains relevant and aligns to driving performance against our short- and longer-term strategy
- Ongoing cycle of activities, including review of salary levels, setting and assessment of bonus objectives, Long-Term Incentive Plan ('LTIP') grant and measurement setting, along with LTIP vesting determination
- Monitoring corporate governance changes, market practice and investor expectations.

### Committee members

**Richard Bradford (Chair)**  
Patrick Shanley  
David Lawther

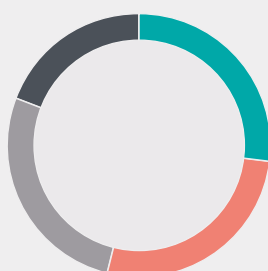
**3**

MEETINGS

**80%**

ATTENDANCE

### Committee experience



■ Management - 27%  
■ Industry - 27%  
■ Finance - 27%  
■ Recruitment - 19%

## Remuneration Committee Report continued

On behalf of the Board, I am pleased to present the Remuneration Committee's ('the Committee') report for the year ended 31 July 2019.

Following the announcement of the Group's Improvement Plan during the year, a detailed review of the Directors' Remuneration Policy was undertaken. The aim of this evaluation was to ensure that the Policy remains fit for purpose, in line with best practice and regulatory requirements and to incentivise the Executives to deliver a high performance against the Improvement Plan.

The Committee's review took into account that the stated aim of the Policy is to:

- attract, motivate and retain Executives in order to deliver the Group's strategic goals and business outputs;
- encourage and support a high-performance sales and service culture;
- adhere to the principles of good corporate governance and appropriate risk management; and
- align Executives with the interests of shareholders and other key stakeholders.

The Committee sought opinion from major shareholders during the Policy review, and overall the review concluded that the current Policy remains fit for purpose and the changes in the new Policy are minor in nature. The Committee believes that our remuneration arrangements have been constructed such that the Executive Directors will be appropriately rewarded if value is delivered for shareholders and pay-outs will be limited if Group performance is below expectations. These changes made are to ensure that our reward structures complement the growth strategy and long-term sustainability of the Group. The revised Remuneration Policy can be found below.

This report, along with the revised Remuneration Policy, will be put forward to shareholders on an advisory basis at our AGM on 10 December 2019.

### Business context and remuneration outcomes for 2019

2019 was a positive year in terms of financial performance. The 2019 full year results for the Group show continuing underlying profit before tax ('PBT') of £11.4m was 4.6% higher than the prior year, with growth in continuing underlying basic EPS of 22.2% to 27.5 pence. Progress was also made in a number of strategic areas which we believe will position the Group well for longer-term financial success. The decisions the Committee made on remuneration were taken in this context.

Annual Bonus awards reflected performance and progress made towards leading our substantial change programme. Financial performance made up a minimum of 50% of the overall performance measures. Awards were 78.9% of the maximum for the CEO and CFO, the maximum for 2019 being 100% of base salary.

The awards granted under the LTIP, made on 19 December 2018, reflected 50% of base salary. The grant value was set lower than the Policy in view of the dilution levels and maximum award limits, as previously advised. In line with the Policy, these will vest subject to dual performance criteria of EPS Cumulative Average Growth Rate ('CAGR') and Total Share Return ('TSR') over three years through to December 2021. There were no LTIP awards that vested during 2019 as the awards made in 2016 lapsed as the performance conditions were not achieved.

### Implementation of Policy in 2019/2020

For the FY 2020, a salary adjustment of 3% will apply for Salar Farzad (CFO). This is in line with the level of increases applicable to employees generally. The salary for Keith Lewis (COO) will remain the same. Kevin Freeguard was appointed as CEO in October 2018 with a salary intentionally set with a commitment to be increased once solid performance in the role has been demonstrated. Following a successful review of the Company's strategy and initial implementation of our Improvement Plan, the Committee is satisfied that such performance has been demonstrated and it is appropriate to increase the salary level by c.9%. The Committee is now confident that the salary level is at a market-competitive level and it is anticipated that any future increases will be in line with those for the employee population as a whole.

With the Improvement Plan under way, new bonus targets have been set by the Committee to drive results. The performance metrics are strongly geared towards the growth strategy and necessary strategic objectives to achieve this. The bonus opportunity remains as it was for 2019, with maximum opportunity at 100% of salary, and with not less than 60% of the bonus measures on financial performance.

In line with the Policy, for FY20 we intend to grant 120% of base salary in shares under the LTIP. The vesting of these will be subject to an EPS performance measure over a three-year performance period.

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](mailto:executive.office@gattacaplc.com).

On behalf of the Committee and Board,

**Richard Bradford**  
Chairman of the Remuneration Committee

5 November 2019

## Directors' Remuneration Policy

The Group's remuneration strategy is to provide a remuneration framework based on the following five principles:

1. Attract, motivate and retain Executives in order to deliver the Group's strategic goals and business outputs.
2. Encourage and support a high-performance sales and service culture.
3. Recognise and reward delivery of the Group's business plan and key strategic goals.
4. Adhere to the principles of good corporate governance and appropriate risk management.
5. Align Executives with the interests of shareholders and other key stakeholders.

The Committee believes that the remuneration structure in place will support and motivate our Executive Directors in furthering the Group's long-term strategic objectives including the creation of sustainable shareholder returns. Furthermore, the Committee is satisfied that the composition and structure of the remuneration package is appropriate and does not incentivise undue risk-taking or reward underperformance.

The table below sets out the key elements of the Policy for Executive Directors.

## Executive Directors' Remuneration Policy table

Element, purpose & link to strategy	Operation	Maximum opportunity	Performance measures and assessment
<b>Base Salary</b>			
To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.	Salaries are reviewed annually, and any changes normally take effect from 1 August. When determining the salary of the Executives the Committee takes into consideration: <ul style="list-style-type: none"> <li>• the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity;</li> <li>• the performance of the Group in the financial year just ended;</li> <li>• the performance of the individual Executive Director;</li> <li>• the individual Executive Director's experience and responsibilities;</li> <li>• any pay conditions (such as pay hold) made at the start of the financial year just ended; and</li> <li>• pay and conditions throughout the Group, including the level of salary increases awarded to other employees.</li> </ul>	Annual percentage increases are generally consistent with the range awarded across the Group. Percentage increases in salary above this level may be made in certain circumstances, such as (but not limited to) a change in responsibility or a significant increase in the role's scale or the Group's size and complexity. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the average until the target positioning is achieved.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.

## Remuneration Committee Report continued

### Executive Directors' Remuneration Policy table continued

Element, purpose & link to strategy	Operation	Maximum opportunity	Performance measures and assessment
<b>Benefits</b>			
To provide competitive benefits and to attract and retain high-calibre employees.	<p>Reviewed periodically to ensure benefits remain market competitive.</p> <p>Benefits currently include:</p> <ul style="list-style-type: none"> <li>• proactive health plan;</li> <li>• car benefit; and</li> <li>• insured benefit schemes.</li> </ul>	<p>Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.</p> <p>The Group conducts regular brokering exercises to ensure premiums remain competitive.</p>	No performance or recovery provisions applicable.
<b>Pension</b>			
To provide a competitive company contribution that enables effective retirement planning	Pension is provided by way of a contribution to a personal pension scheme or cash allowance in lieu of pension benefits.	<p>The maximum contribution to a personal pension scheme or cash in lieu is equal to 10% of salary.</p> <p>Gattaca provides a Group Personal Pension scheme, which is open to the Executives to participate.</p>	No performance or recovery provisions applicable.
<b>Annual Bonus</b>			
Incentivises achievement of annual objectives which support the Group's short-term performance goals.	<p>Bonus awards are granted annually following the signing of the Report and Accounts, usually in November.</p> <p>Performance period is one financial year with pay-out determined by the Committee following the year end, based on achievement against a range of performance measures.</p>	<p>Maximum potential under the Annual Bonus is up to 120% of salary.</p> <p>Any bonus payable above 100% of salary will be deferred into shares with a two-year vesting period.</p>	<p>Performance targets will be set by the Committee annually based on a range of financial and operational measures.</p> <p>Financial targets will form the majority of the bonus opportunity and typically include PBT and NFI.</p> <p>The Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the year.</p> <p>The Committee has the discretion to make downward or upward movements to the amount of bonus earned resulting from the application of the performance measures, if the RemCo believes that the bonus outcomes are not a fair and accurate reflection of business performance.</p> <p>As well as determining the measures and targets, the Committee will also determine the weighting of the various measures to ensure that they support the business strategy and objectives for the relevant year.</p>

Element, purpose & link to strategy	Operation	Maximum opportunity	Performance measures and assessment
<b>LTIP</b>			
<p>The LTIP incentivises Executives to achieve superior returns to shareholders over a three-year period and to retain key individuals and align their interests with shareholders.</p>	<p>Under the LTIP, the Committee may award annual grants of performance share awards in the form of nil-cost options or conditional shares (LTIP Awards) on an annual basis.</p> <p>LTIP Awards under the plan will vest after a three-year performance period subject to the achievement of the performance measures.</p> <p>There will be a two-year holding period applicable after the three-year performance period. Exclusions will apply to shares sold for the purpose of paying tax.</p> <p>Malus and clawback provisions apply at the discretion of the Committee in exceptional circumstances.</p>	<p>Maximum LTIP Awards are equal to 150% of base salary.</p>	<p>Targets are reviewed annually ahead of the LTIP Award to ensure that they are aligned to the Group's long-term strategy and vest based on performance against challenging targets.</p> <p>Targets will be set on the Group's financial performance with the majority based on shareholder value-based outcomes.</p> <p>Targets are typically structured as a challenging sliding scale, with no more than 25% of the maximum award vesting for achieving the threshold performance level through to full vesting for substantial outperformance of the threshold.</p> <p>The Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the vesting period.</p> <p>The Committee has the discretion to make downward or upward movements in the vesting of the LTIP resulting from the application of the performance measures if the Committee believes that the outcomes are not a fair and accurate reflection of business performance.</p> <p>The Committee will review performance measures annually, in terms of the range of targets, the measures themselves and weightings applied to each element of the LTIP. Any revisions to the metrics and/or weightings will only take place if it is necessary because of developments in the Group's strategy.</p>
<b>Shareholding ownership guidelines</b>			
<p>To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.</p>	<p>The Executive Directors are encouraged to build or maintain (as relevant) a minimum shareholding in the Company.</p> <p>Shares included in this calculation are those held beneficially by the Executive Director and their spouse/life partner.</p>	<p>The shareholding ownership guideline is 200% of salary for Executive Directors.</p>	<p>Not applicable.</p>

# Remuneration Committee Report continued

## 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 <sup>2</sup> £'000	Taxable benefits <sup>3</sup> £'000	Bonus £'000	Long-term incentives <sup>4</sup> £'000	Pension £'000	Total £'000
Kevin Freeguard <sup>1</sup> (Chief Executive Officer)	2019	229	–	9	181	–	23	442
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Salar Farzad <sup>2</sup> (Chief Financial Officer)	2019	220	33	13	174	–	41	481
	2018	220	33	11	–	–	26	290
Keith Lewis <sup>2,6</sup> (Chief Operating Officer)	2019	200	30	13	–	–	36	279
	2018	200	30	13	–	–	22	265
Brian Wilkinson <sup>5</sup> (Chief Executive Officer)	2019	6	N/A	N/A	N/A	N/A	N/A	6
	2018	300	–	20	–	–	31	351

#### Notes

- Kevin Freeguard was appointed as CEO on 1 October 2018.
- Higher duties allowance was paid in respect of additional responsibilities taken on during the period from Brian Wilkinson's resignation to the appointment of Kevin Freeguard.
- Taxable benefits comprise car benefits and private medical insurance.
- Long-term incentives vesting relate to the performance in the financial year. See details on long-term incentive values on page 71.
- Brian Wilkinson resigned on 7 February 2018. Base salary included a payment of £6,000 (2018: 75,000) in lieu of notice.
- Keith Lewis resigned on 5 November 2019.

### Fixed remuneration

There were no salary increases applied in 2019.

### Annual bonus outcomes for the financial year ending 31 July 2019 (Audited information)

For 2019, the Executive Directors' maximum bonus opportunity was 100% of salary. The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director.

Based on this performance the CEO earned a bonus of £181,000 and the CFO earned a bonus of £174,000, equivalent to 78.9% and 78.9% of maximum opportunity, respectively. The COO earned a bonus of £nil.

Performance measure	Weighting (% of maximum bonus opportunity)	Threshold performance (0% of bonus payable)	Target performance (67% of bonus payable)	Maximum performance (100% of bonus payable)	Actual performance	% of maximum bonus payable
Continuing underlying profit before tax	50%	£10.7m	£11.6m	£12.4m	£11.4m	28.9%
Personal objectives	50%	Following the year end, the Committee assessed performance against the individual objectives for each Executive Director for 2019, with the following conclusions: CEO, CFO: Met				50.0% (CEO & CFO)
<b>Total</b>						78.9% (CEO & CFO)

Personal objectives were heavily focused on two key areas: short-term objectives that needed to be achieved in the year to set the business for sustainable growth. This included withdrawal from the Telecoms Infrastructure market and some of our international locations, as well as completing the integration for Resourcing Solutions Limited, delivering budgeted profit and additionally, to develop the strategic plan for growth. These withdrawals were completed with minimal impact to the business and in particular Group profit before tax, and the Improvement Plan was announced in April 2019.



### Long-term incentives vesting for performance related to financial year ending 31 July 2019

LTIP Awards were granted on 11 February 2016 and were released on 10 February 2019. These Awards were granted subject to the achievement of certain EPS growth 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 per annum	Performance outcome	Number of awards vesting	Value of awards shown in the single figure table
Keith Lewis <sup>2</sup>	12,632	Cumulative compound growth in adjusted diluted EPS	Below 7%+RPI growth: 0% vesting 7%+RPI growth: 33.33% vesting Between 7% - 14%+RPI growth: straight line vesting between 33.33% - 100% Above 14%+RPI growth: 100% vesting	0%	0	Nil

### Long-term incentive awards made during the year

LTIP awards granted during 2019 are summarised in the table below:

	Number of nil cost options granted	Performance measures and targets	Vesting date	Exercise price
Kevin Freeguard <sup>1</sup>	128,205	<b>50% of the awards vest based on achieving cumulative compound growth in adjusted diluted EPS</b>	19 December 2021	Nil
Salar Farzad	102,564	Targets: Below 6% growth per annum: 0% vesting		
Keith Lewis <sup>2</sup>	93,240	Between 6% - 12% growth per annum: straight-line vesting between 25% - 100% Above 12% growth per annum: 100% vesting <b>50% of the awards vest based on achieving TSR</b> Targets: Median TSR, 25% vesting. Median TSR +9%, 100% vesting, and straight-lines vesting between points.		

Awards were made on 19 December 2018 at a share price of £1.07 and were equivalent to a face value of 50% of salary for each Executive Director.

### 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
Kevin Freeguard <sup>1</sup>	-	-
Keith Lewis <sup>2</sup>	-	-
Salar Farzad	-	-

#### Note

1 Appointed 1 October 2018.

2 Resigned on 5 November 2019.

# Remuneration Committee Report continued

## 1. Executive Director remuneration continued

### Payments to past Directors or for loss of office

A final payment of £6,000 in lieu of notice was paid to Brian Wilkinson, comprising base salary. No payment was made in respect of any bonus. There were no other payments made during the year in respect of past Directors or for loss of office.

### Implementation of Policy in 2019/2020

#### Fixed remuneration

Salary increases apply from 1 August 2019 for the Executive Directors, and are summarised below:

Executive	Prior salary (£'000)	New salary (£'000)	Salary increase
Kevin Freeguard <sup>1</sup>	275	300	9% <sup>1</sup>
Salar Farzad	220	226.6	3%
Keith Lewis <sup>2</sup>	200	200	0%

<sup>1</sup> Kevin Freeguard was appointed as CEO in October 2018 with a salary intentionally set with commitment to be increased once solid performance in the role has been demonstrated. The Committee is now confident that the salary level is at a market-competitive level and it is anticipated that any future increases will be in line with those for the employee population as a whole.

<sup>2</sup> Resigned on 5 November 2019.

#### Bonus

The maximum bonus opportunity for FY20 is 100% of base salary, with 60% based on Group financial performance and 40% on personal targets. The financial performance elements of the bonus will be based on achievement of PBT targets (75%) and NFI growth targets (25%). The specific targets are considered commercially sensitive but will be disclosed in full in next year's Directors' Remuneration Report.

The personal targets will be based on implementation of the Improvement Plan; in particular, there is a strong focus on new customer relationships, growing our range of services in our chosen markets, refining our structures and streamlining operations aided with new technology platforms. Again, the details of these strategic objectives and performance against them will be disclosed in detail in next year's Report.

#### LTIP

The Committee intends to make a grant to Executive Directors of face value of up to 120% of base salary in the year. The vesting will be subject to EPS CAGR growth over a three-year period. At 10% growth per annum, 50% of the award will vest. At 25% growth per annum 100% of the award will vest.

The Committee has determined to select EPS as a single LTIP measure for this year's awards (rather than combining with relative TSR as for previous awards) due to a desire for simplicity in the long-term arrangements and to focus Executives on a measure which they have the ability to drive the performance of during the period of the Improvement Plan. The Committee believes that this is the most relevant measure of long-term performance over this period and that it will be closely aligned to the creation of value for shareholders. In setting the target against this measure, the Committee has taken steps to ensure that these have been calibrated to represent a stretch target at vesting threshold and exceptional stretch at maximum opportunity.

#### Benefits and pension

There will be no changes to benefits or pension provision. Although it doesn't apply directly to Gattaca as an AIM company, the Committee was mindful of the UK Corporate Governance Code requirements and investor sentiments relating to executive pension levels and post-employment shareholding requirements. At the present time, the Committee has concluded that our arrangements in these regards are appropriate and has not proposed a change in the Remuneration Policy. However, we will continue to monitor best and market practice on these points and consider again in future.

## 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 2018 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	2019	100	-	100
	2018	100	-	100
George Materna	2019	51	-	51
	2018	51	-	51
Ric Piper <sup>1</sup>	2019	-	-	-
	2018	56	2	58
Richard Bradford	2019	51	-	51
	2018	51	-	51
Roger Goodman <sup>1</sup>	2019	-	-	-
	2018	46	-	46
Mark Mamone <sup>2</sup>	2019	17	-	17
	2018	50	-	50
David Lawther	2019	51	-	51
	2018	8	-	8

#### Notes

1 Resigned 31 July 2018.

2 Resigned 5 December 2018.

### Fees to be provided in 2020 to the Non-Executive Directors

The Board has determined that no increase will be applied to the current Non-Executive fee in 2020.

Fee component per role	2019 £'000	2018 £'000	% change
Chairman fee	100	100	-
Non-Executive Director base fee	46	46	-
Senior Independent Director fee	-	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 2019 (Audited information)

Directors' share interests are set out below. 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 2019		Interests in shares under the LTIP (nil cost options)		SIP awards (matching shares)	Total interests at 31 July 2019
	Number of beneficially owned shares <sup>3</sup>	% of salary held <sup>4</sup>	Total interests subject to conditions	Total vested interests unexercised	Total interests subject to conditions	
Kevin Freeguard <sup>1</sup>	-	-	128,205	-	-	128,205
Salar Farzad	-	-	102,564	-	-	102,564
Keith Lewis <sup>5</sup>	338,224	202%	154,928	-	4,581	497,733
Patrick Shanley	15,000	-	-	-	-	15,000
George Materna	7,877,405	-	-	-	-	7,877,405
Richard Bradford	-	-	-	-	-	-
Mark Mamone <sup>2</sup>	-	-	-	-	-	-
David Lawther	-	-	-	-	-	-
<b>Total</b>	<b>8,230,629</b>		<b>385,697</b>	<b>-</b>	<b>4,581</b>	<b>8,620,907</b>

#### Notes

1 Appointed 1 October 2018

2 Resigned 5 December 2018.

3 Beneficial interests include shares held directly or indirectly by connected persons. These also include partnership and vested match shares held under the SIP.

4 % of salary held calculated using the share price on 31 July 2019, being 125.5 pence.

5 Keith Lewis resigned on 5 November 2019 and all interests in shares under the LTIP and SIP schemes subject to conditions have therefore lapsed.

There have been no changes between 31 July 2019 and the date that this Report was signed.

### 5. Considerations by the Committee of matters relating to Directors' remuneration in 2019

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](http://www.gattacaplc.com).

Members of the Committee during 2019	Independent	Number of meetings held	Meetings attended
Richard Bradford (Chairman)	Yes	3	3
David Lawther	Yes	3	3
Mark Mamone <sup>1</sup>	Yes	1	0
Patrick Shanley	Yes	3	2

1 Resigned from the Board on 5 December 2018.

During the year, there were three Committee meetings. The matters covered at each meeting included the 2019 bonus scheme, LTIP scheme, 2019 salary review budget proposal, Remuneration Committee advisers and senior management remuneration plans for 2020.

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 2019 from Willis Towers Watson ('WTW'). WTW is considered by the Committee to be objective and independent. WTW 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 total fee paid to WTW in respect of services to the Committee during the year was £29,000. The fee was determined based on the scope and nature of the projects undertaken for the Committee.

## 6. Statement of voting

The 2019 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**

5 November 2019

## Case Study: Expert delivery through in-depth knowledge

**531**

CONSULTANTS  
GLOBALLY

**1,000+**

MICRO NICHE TALENT  
POOLS

**43,500**

CANDIDATE  
INTERVIEWS PER YEAR

### Case Study

# Micro specialism on skills

**Our specialist consultants have an “inch wide, mile deep” view on the types of candidates they supply to our clients.**

#### Breadth

Delivering on our clients' specific talent requirements is what sets us apart. We do this across a whole range of STEM skills by truly understanding the niche in which our candidates operate, as shown below (data correct at October 2019).

#### Experience

We have hundreds of specialist consultants with a complete and deep understanding of the candidate market. Consultants focus on a specific skill set, drilling right down to build out talent pools of candidates within these micro specialisms. They focus their time on identifying, engaging and coaching talent pools of candidates. An example of which would be:

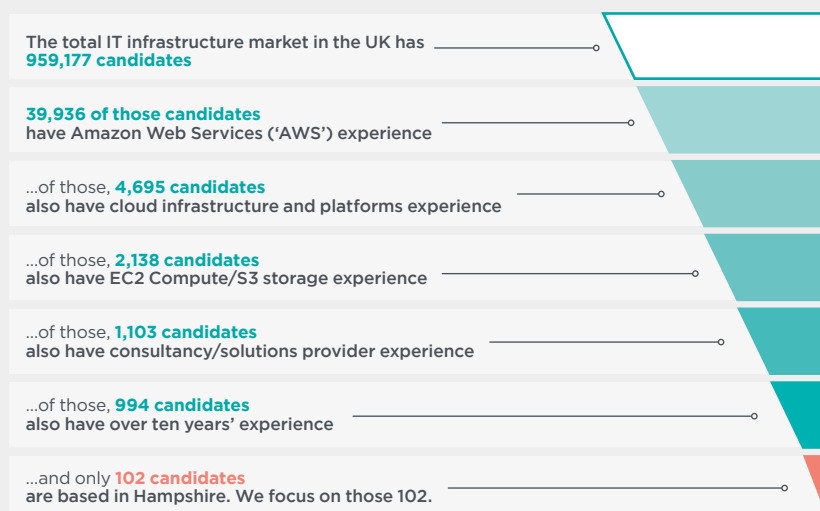
#### Knowledge share

We have spent years building out candidate attraction and engagement tools to find both active and passive candidates in this micro niche.

We have set up skill-specific content pages on our website that receive thousands of hits per week. We host global coding days, 'hackathons' and weekend coding events. Our consultants' in-depth knowledge of specific talent pools enables them to offer the candidate a variety of options and become a go-to consultant. We also support red brick universities in educating graduates on the various micro specialist paths they could take and the types of roles available to them.

Using our in-depth knowledge of where talent is and how it is developed, we promote this to clients globally. We truly consult our clients to help them successfully build new teams of these specialists, as well as provide market reports to our communities, looking at how skill availability, development, location, price, training tools and technology development can impact their businesses.

**A client asks for talent with over ten years of Amazon Web Services, cloud infrastructure, EC2 Compute/S3 storage and consultancy experience based in Hampshire, UK**



# Financial Statements

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**EXPERT FULFILMENT  
BY SKILL**



**COLLABORATIVE HIGH-  
PERFORMING CULTURE**

## Financial Statements

### 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 2019 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 and Company Statements of Financial Position as at 31 July 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Cash Flow Statements, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

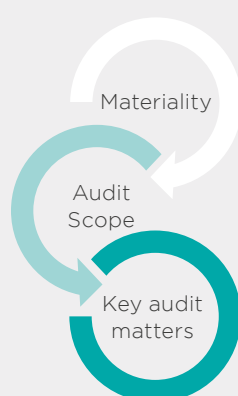
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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



- Overall Group materiality: £570,000 (2018: £660,000), based on 5% of underlying profit before tax from continuing operations.
- Overall Company materiality: £1,094,000 (2018: £1,030,000), based on 1% of total assets.
- 91% of the Group's revenue is accounted for by operating units where we performed audits of their complete financial information. 98% 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.
- Risk of fraud in revenue recognition - permanent and contract (Group).
- Recoverability of trade receivables and accrued income (Group).
- Goodwill and acquired intangible asset impairment assessments (Group).
- Non-underlying costs and discontinued operations (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	How our audit addressed the key audit matter
<p><b>Risk of fraud in revenue recognition – permanent and contract (Group)</b></p> <p>Refer to page 56 (Audit Committee Report) and Note 1 vi (Summary of significant accounting policies), Note 2 (Segmental information) and Note 3 (Revenue From Contracts With Customers) on to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates.</p> <p>There is a degree of judgement involved in revenue recognition, 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.</p> <p>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.</p> <p>The audit risk includes both of the above aspects. We determined that this specifically impacts the occurrence and pre-year end cut-off assertions.</p>	<p>We performed the following procedures to address the risk that revenue had been recorded fraudulently:</p> <ul style="list-style-type: none"> <li>• We assessed the design and implementation of key controls around all streams of revenue recognised. Testing of key controls was performed for the contractor revenue stream;</li> <li>• For contractor revenue we tested the occurrence of revenue journals posted throughout the year using a combination of data auditing techniques and corroborating transactions to third party documentation;</li> <li>• Revenue generated via Gattaca Projects was tested in conjunction with our contractor revenue testing and was included in our populations for data auditing and transactional testing. We also considered the balance sheet impact of any 'fixed price' contracts around the year end;</li> <li>• We tested the permanent revenue stream through agreement to third party documentation and review of contracts;</li> <li>• 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 but relating to work completed prior to the year end;</li> <li>• We tested a sample of credit notes post year end to identify where revenue recognised during the year has been subsequently reversed;</li> <li>• 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</li> <li>• We evaluated whether the Group's revenue recognition accounting policy complies with the requirements of IFRS 15 'Revenue from contracts with customers'. We have agreed that revenue has been recognised in accordance with Gattaca's accounting policy by reviewing the details of the Group's revenue recognition policy, the application of this, and any significant new contracts.</li> </ul> <p>There were no material issues identified by our testing of revenue recognition during the period.</p>

## Financial Statements

### Independent auditors' report continued

to the members of Gattaca plc

#### Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Recoverability of trade receivables and accrued income (Group)</b></p> <p>Refer to page 56 (Audit Committee Report) and Note 1 xvii (Summary of significant accounting policies) and Note 17 (Trade and Other Receivables) to the financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates.</p> <p>At 31 July 2019, the Group had trade receivables and accrued income balances of £96,730,000 (2018: £111,267,000) and provisions of £2,189,000 (2018: £1,547,000) included in Note 17.</p> <p>The recoverability of trade receivables, accrued income and the level of provisions for expected credit losses are considered to be a key risk due to the pervasive nature of these balances to the financial statements, the judgements required in making these provisions and the importance of cash collection with reference to the working capital management of the business.</p>	<p>In order to test the recoverability of trade receivables and accrued income, we performed the following procedures:</p> <ul style="list-style-type: none"><li>• We have agreed a sample of trade receivables balances to post year-end cash receipts;</li><li>• Where cash has not been received post year-end, we performed alternative procedures by agreeing amounts recorded to supporting timesheets approved by the customer and agreed rate cards;</li><li>• We also discussed and assessed the reasons the amounts that were not yet paid with Gattaca's local management teams to determine if there were indicators of impairment;</li><li>• We evaluated the Group's credit control procedures and assessed and validated the ageing profile of trade receivables;</li><li>• We considered the appropriateness of judgements regarding the level of expected credit loss for trade receivables and assessed whether the associated provisions were calculated in accordance with the Group's expected credit loss policies and whether there was evidence of management bias in provisioning, obtaining supporting evidence as necessary;</li><li>• We challenged management as to the recoverability of specific aged, unprovided debtors, corroborating management's explanations with underlying documentation and correspondence with the customer. We agreed that management appropriately considered the heightened risk of collectability of debtors held by discontinued operations noting that these are provided for in full; and</li><li>• We agreed a sample of accrued income back to approved timesheets, rate cards and post year-end invoices to agree that revenue had been accrued for time that had been worked pre year-end. Where payment has been received to date we also agreed cash receipts agree to the invoices raised.</li></ul> <p>We did not encounter any issues through these audit procedures that indicated further material provisioning against accrued income and trade receivables was required.</p>

**Key audit matter****Goodwill and acquired intangible asset impairment assessments (Group)**

Refer to page 56 (Audit Committee Report) and Note 1 ix (Summary of significant accounting policies), Note 1 x (Summary of significant accounting policies) and Note 13 (Goodwill and 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 four CGU's, which have a goodwill and indefinite lived intangible assets carrying value of £7,593,000 (2018: £14,719,000). An impairment charge of £5,882,000 has been recognised against the International CGU.

The Directors considered that reasonably possible changes in forecast profit from operations, long term growth rates or discount rates would not be expected to give rise to an impairment charge in future. These reasonably possible changes have been disclosed in Note 13.

**How our audit addressed the key audit matter**

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

- Tested the mathematical accuracy of the underlying models;
- Future cash flow forecasts: we evaluated the reasonableness of future cash flow forecasts based on management's historical accuracy of forecasting, performance in FY20 year to date and our wider 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: the rates applied in the model are consistent with our own internally developed rates.

No issues were noted in assessment of the underlying assumptions.

To assess the impairment charges, we recalculated the charge and confirmed that this had been accounted for appropriately, and considered any contrary evidence.

For all CGUs, we performed sensitivity analyses around the key assumptions, both individually and in aggregate, in order to ascertain the extent of change in those assumptions required individually or collectively to result in a further material impairment of goodwill or acquired intangible assets.

For those CGUs which were most sensitive, we discussed the basis for these cash flows with senior management, obtaining corroboratory evidence where necessary. We concluded that these are appropriate with no material impairment required.

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

## Financial Statements

### Independent auditors' report continued

to the members of Gattaca plc

#### Key audit matters continued

##### Key audit matter

##### Non-underlying costs and discontinued operations (Group)

Refer to page 56 (Audit Committee Report), Note 1 vii (Summary of significant accounting policies), Note 4 (Profit/(Loss) From Operations) and Note 11 (Discontinued operations).

We focused on non-underlying costs 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.

We have also focussed on discontinued operations given the level of judgement that is required in determining what meets the definition of a discontinued operation as per IFRS 5 - "Non-current Assets Held for Sale and Discontinued Operations". Discontinued operations presented in the year relate to the Group's withdrawal from Telecoms Infrastructure markets in Africa, Asia and Latin America as well as its operations in UAE, Malaysia, Qatar and Singapore.

##### How our audit addressed the key audit matter

We have assessed amounts that have been included as both non-underlying and discontinued operations by performing the following procedures:

- Agreed the accuracy and classification of amounts disclosed in both discontinued operations and non-underlying to supporting evidence, on a sample basis;
- Compared the non-underlying costs recognised in the current year to those recognised in 2018 and challenged where the costs are either inconsistently treated year-on-year, or appear underlying in nature;
- Reviewed the disclosures made in respect of non-underlying costs and discontinued operations.
- Agreed that the classification of discontinued operations is in line with the requirements of IFRS 5 - "Non-current Assets Held for Sale and Discontinued Operations".

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

We determined that there were no key audit matters applicable to the Company to communicate in our report.

#### 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.

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 25 operating units which fall into three reporting segments, namely UK Engineering, UK Technology and International.

Of the Group's 25 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 20 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.

## 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
<b>Overall materiality</b>	£570,000 (2018: £660,000).	£1,094,000 (2018: £1,030,000).
<b>How we determined it</b>	5% of underlying profit before tax from continuing operations.	1% of total assets.
<b>Rationale for benchmark applied</b>	Underlying profit before tax from continuing operations is disclosed on page 86. We believe that underlying profit before taxes from continuing operations 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 £540,000 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 £260,000 and £540,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £28,000 (Group audit) (2018: £33,000) and £28,000 (Company audit) (2018: £33,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

## Financial Statements

### Independent auditors' report continued

to the members of Gattaca plc

#### 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 below.

#### 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 2019 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.

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#### 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 in respect of the Annual Report and the Financial Statements set out on page 53, 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.

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](http://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.

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## Other required reporting

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### 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.

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## Other voluntary reporting

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### 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

5 November 2019

## Financial Statements

### Consolidated Income Statement

For the year ended 31 July 2019

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

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

		2019 £'000	2018 £'000
<b>Profit/(loss) from continuing operations</b>		<b>4,806</b>	(25,285)
Add			
Depreciation of property, plant and equipment and amortisation of software and software licences	2	1,207	993
Non-underlying items included within administrative expenses	2	1,441	1,676
Amortisation and impairment of goodwill and acquired intangibles	2	7,146	36,011
<b>Underlying EBITDA</b>		<b>14,600</b>	13,395
Less			
Depreciation of property, plant and equipment and amortisation of software and software licences		(1,207)	(993)
Net finance costs excluding foreign exchange differences		(2,033)	(1,540)
<b>Underlying profit before taxation</b>		<b>11,360</b>	10,862
Underlying taxation		(2,501)	(3,380)
<b>Underlying profit after taxation from continuing operations</b>		<b>8,859</b>	7,482
<b>Earnings per ordinary share</b>			
	Note	2019 pence	2018 pence
Basic earnings per share	12	(18.3)	(85.3)
Diluted earnings per share	12	(17.8)	(85.3)
<b>Earnings per ordinary share from underlying continuing operations</b>			
		2019 pence	2018 pence
Basic earnings per share from underlying continuing operations	12	27.5	22.5
Diluted earnings per share from underlying continuing operations	12	26.7	22.5



## Consolidated Statement of Comprehensive Income

For the year ended 31 July 2019

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

## Financial Statements

### Consolidated and Company Statements of Changes in Equity

For the year ended 31 July 2019

#### A) Consolidated

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
<b>At 1 August 2017</b>	318	8,704	28,750	1,415	1,033	-	42,260	2,222	84,702
(Loss)/profit for the year	-	-	-	-	-	-	(27,351)	275	(27,076)
Other comprehensive loss	-	-	-	-	(734)	-	-	-	(734)
Total comprehensive (loss)/income	-	-	-	-	(734)	-	(27,351)	275	(27,810)
Dividends paid in the year (Note 8)	-	-	-	-	-	-	(6,441)	-	(6,441)
Deferred tax movement in respect of share options	-	-	-	-	-	-	(211)	-	(211)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(3,552)	(3,552)
Non-controlling interest transfer	-	-	-	-	-	-	(1,055)	1,055	-
Share-based payments charge (Note 23)	-	-	-	324	-	-	-	-	324
Share-based payments reserves transfer	-	-	-	(665)	-	-	665	-	-
Shares issued	5	2	-	-	-	-	-	-	7
Transactions with owners	5	2	-	(341)	-	-	(7,042)	(2,497)	(9,873)
<b>At 31 July 2018</b>	323	8,706	28,750	1,074	299	-	7,867	-	47,019
<b>At 1 August 2018</b>	323	8,706	28,750	1,074	299	-	7,867	-	47,019
Loss for the year	-	-	-	-	-	-	(5,901)	-	(5,901)
Other comprehensive income	-	-	-	-	645	-	-	-	645
Total comprehensive income/(loss)	-	-	-	-	645	-	(5,901)	-	(5,256)
Dividends paid in the year (Note 8)	-	-	-	-	-	-	-	-	-
Deferred tax movement in respect of share options	-	-	-	-	-	-	15	-	15
Share-based payments charge (Note 23)	-	-	-	269	-	-	-	-	269
Share-based payments reserves transfer	-	-	-	(590)	-	-	590	-	-
Purchase of treasury shares	-	-	-	-	-	(140)	-	-	(140)
Transactions with owners	-	-	-	(321)	-	(140)	605	-	144
<b>At 31 July 2019</b>	323	8,706	28,750	753	944	(140)	2,571	-	41,907

## B) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 August 2017</b>	318	8,704	28,526	1,415	-	3,137	42,100
Profit and total comprehensive income for the year (Note 9)	-	-	-	-	-	4,670	4,670
Dividends paid in the year (Note 8)	-	-	-	-	-	(6,441)	(6,441)
Share-based payments charge (Note 23)	-	-	-	324	-	-	324
Share-based payments reserves transfer	-	-	-	(665)	-	665	-
Shares issued	5	2	-	-	-	-	7
Transactions with owners	5	2	-	(341)	-	(5,776)	(6,110)
<b>At 31 July 2018</b>	323	8,706	28,526	1,074	-	2,031	40,660
<b>At 1 August 2018</b>	323	8,706	28,526	1,074	-	2,031	40,660
Loss and total comprehensive loss for the year (Note 9)	-	-	-	-	-	(231)	(231)
Dividends paid in the year (Note 8)	-	-	-	-	-	-	-
Share-based payments charge (Note 23)	-	-	-	269	-	-	269
Share-based payments reserves transfer	-	-	-	(590)	-	590	-
Purchase of treasury shares	-	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-	-
Transactions with owners	-	-	-	(321)	-	590	269
<b>At 31 July 2019</b>	323	8,706	28,526	753	-	2,390	40,698

## Financial Statements

# Consolidated and Company Statements of Financial Position

As at 31 July 2019

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

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present the parent Company's income statement. The parent Company's loss of £231,000 (2018 profit: £4,670,000) for the year is shown in Note 9 of these Financial Statements.

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

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

**Salar Farzad**  
Chief Financial Officer

## Consolidated and Company Cash Flow Statements

For the year ended 31 July 2019

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

## Financial Statements

### Notes Forming Part of the Financial Statements

#### 1 The Group and Company Significant Accounting Policies

##### i The business and address of the Group

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

##### ii Basis of preparation of the Financial Statements

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

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

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

##### iii Going concern

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

##### iv New standards and interpretations

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

##### New standards in issue, not yet effective

###### IFRS 16 'Leases'

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

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

IFRS 16 is expected to result in an increase in EBITDA and operating profit for the Group, as rentals are reclassified as depreciation and interest expense, but with a small decrease in profit before taxation. Gross profit may also appear higher as a result. IFRS 16 also requires more extensive disclosures than under IAS 17. Note 22 summarises the current lease portfolio. The standard is effective for annual periods commencing on or after 1 January 2019, and so will be adopted by the Group from 1 August 2019 using the modified retrospective approach, meaning that comparatives will not be restated.

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

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

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

### Forthcoming requirements

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

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

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

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

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

### 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 contingent consideration arrangements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

##### vi Revenue

IFRS 15 'Revenue from contracts with customers' has been adopted by the Group from 1 August 2018 for the Group. The new standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue', IAS 11 'Construction contracts', IFRIC 13 'Customer loyalty programmes', SIC 31 'Revenue - Barter transactions involving advertising services' and related interpretations.

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

##### Temporary placements

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

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

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

##### Permanent placements

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



## Other

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

## vii Non-underlying items

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

Items which are included within this category could include:

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

## viii Property, plant and equipment

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

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

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

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

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

## ix Goodwill

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

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

### Notes Forming Part of the Financial Statements continued

#### 1 The Group and Company Significant Accounting Policies continued

##### x Intangible assets

###### Customer relationships

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

###### Trade names and trademarks

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

###### Software and software licences

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

###### Internally generated intangible assets

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

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

###### Other

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

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

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

##### xi Disposal of assets

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

## xii Operating lease agreements

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

## xiii Taxation

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

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

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

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

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

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

## xiv Pension costs

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

### Notes Forming Part of the Financial Statements continued

#### 1 The Group and Company Significant Accounting Policies continued

##### xv Share-based payments

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

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

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

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

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

##### xvi Business combinations completed prior to Date of transition to IFRS

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

##### xvii Financial instruments

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

## Financial assets

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

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

### Financial assets: debt instruments

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

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

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

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

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

### Financial assets: equity instruments

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

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

### Notes Forming Part of the Financial Statements continued

#### 1 The Group and Company Significant Accounting Policies continued

##### xvii Financial instruments continued

##### Impairment of financial assets

IFRS 9 replaces the incurred loss model of IAS 39 with an 'Expected Credit Loss' model (ECL). This applies to all financial assets measured at amortised cost or FVOCI, except equity investments.

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

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

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

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

##### Financial liabilities

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

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

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

### xviii Cash and cash equivalents

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

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

### xix Provisions

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

### xx Dividends

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

### xxi Foreign currencies

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

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

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

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

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

### Notes Forming Part of the Financial Statements continued

#### 1 The Group and Company Significant Accounting Policies continued

##### xxii Equity

Equity comprises the following:

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

##### xxiii Critical accounting judgements and key sources of estimation uncertainty

###### Critical accounting judgements

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

###### Key sources of estimation uncertainty

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

###### *ECL provisions in respect of trade receivables*

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

###### *Valuation of goodwill and intangible assets*

Goodwill and intangible assets (including acquired intangibles) are tested for impairment on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimate to be made of the recoverable amount of the cash-generating unit to which the assets are allocated, including forecasting future cash flows of each cash-generating unit and forming assumptions over the discount rate and long-term growth rate applied. These assumptions are set out in Note 13.



## 2 Segmental Information

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

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

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

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

## Financial Statements

### Notes Forming Part of the Financial Statements continued

## 2 Segmental Information continued

### Geographical information

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

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

## 3 Revenue From Contracts With Customers

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

### Major service lines—continuing underlying operations

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

### Timing of revenue recognition – continuing underlying operations

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

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

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

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

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

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

#### 4 Profit/(Loss) From Operations

	2019 £'000	2018 £'000
<b>Profit/(loss) from total operations is stated after charging/(crediting):</b>		
Depreciation (Note 14)	891	686
Amortisation of acquired intangibles (Note 13)	1,264	2,691
Amortisation of software and software licences (Note 13)	328	341
Impairment of goodwill and acquired intangibles (Note 13)	5,882	33,320
Loss/(profit) on disposal of property, plant and equipment	67	(14)
Operating lease costs:		
– Plant and machinery	316	369
– Land and buildings	2,033	2,319
Share-based payment charge	269	324
Net (gains) on foreign currency translation (Note 6)	(302)	(86)

The aggregate auditor's remuneration was as follows:

	2019 £'000	2018 £'000
Fees payable for the audit of the parent Company Financial Statements	10	10
Fees payable for the audit of the subsidiary Company Financial Statements	247	255
Total auditor's remuneration	257	265
Non-audit services:		
– Taxation	-	-
– Other services pursuant to legislation	-	-
Total non-audit services	-	-

Non-underlying items were as follows:

<b>Continuing operations</b>	2019 £'000	2018 £'000
Integration costs <sup>1</sup>	1,441	227
Restructuring costs <sup>2</sup>	-	1,449
Non-underlying items included in profit/(loss) from continuing operations	1,441	1,676
<b>Discontinued operations</b>	2019 £'000	2018 £'000
Recognition of onerous lease provision <sup>3</sup>	1,102	-
Advisory fees <sup>4</sup>	3,424	-
Costs relating to discontinuation of Group undertakings <sup>5</sup>	1,205	-
Non-underlying items included in (loss)/profit from discontinued operations	5,731	-
Total non-underlying items	7,172	1,676

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

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

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

4 Legal fees incurred in 2019 in relation to the Group's cooperation with certain voluntary enquiries from the US Department of Justice (2018: Enil).

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

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 5 Particulars of Employees

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

Total operations	2019 No.	2018 No.
Sales	531	625
Administration	200	226
Directors	8	9
<b>Total</b>	<b>739</b>	<b>860</b>

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

The aggregate payroll costs of the above were:

Total operations	2019 £'000	2018 £'000
Wages and salaries	37,189	39,865
Social security costs	4,484	4,929
Other pension costs	905	1,835
Share-based payments	269	324
<b>Total</b>	<b>42,847</b>	<b>46,953</b>

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

Disclosure of the remuneration of Group's key management personnel, as required by IAS 24, is detailed below. Disclosure of the remuneration of the statutory Directors is further detailed in the audited part of the Remuneration Report on pages 65 to 75.

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

#### 6 Finance Income

Continuing operations	2019 £'000	2018 £'000
Interest income	63	112
Net gains on foreign currency translation	302	86
<b>Total</b>	<b>365</b>	<b>198</b>

#### 7 Finance Costs

Continuing operations	2019 £'000	2018 £'000
Bank interest expense	1,993	1,537
Amortisation of capitalised finance costs	103	115
<b>Total</b>	<b>2,096</b>	<b>1,652</b>

## 8 Dividends

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

## 9 Parent Company (Loss)/Profit

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

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present the parent Company's income statement.

## 10 Taxation

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

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

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

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

Notes Forming Part of the Financial Statements continued

**10 Taxation** continued

Tax (credit)/charge recognised in equity:

	2019 £'000	2018 £'000
Deferred tax (credit)/charge recognised directly in equity	(15)	211
<b>Total tax (credit)/charge recognised directly in equity</b>	<b>(15)</b>	<b>211</b>

**Future tax rate changes**

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

As these changes of rates have been enacted at the financial position date, the impact of these reductions has been reflected in the deferred tax liability at 31 July 2019.

Reconciliation of statutory to underlying tax charge:

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

## 11 Discontinued Operations

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

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

Financial information relating to discontinued operations is as follows:

### Financial performance and cash flow information

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

<sup>1</sup> Included in administrative expenses are £5,731,000 (2018: Nil) of non-underlying items, as detailed in Note 4.

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

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 12 Earnings Per Share

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

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

The Group has dilutive potential ordinary shares, being the LTIP and zero-priced share options (Note 23). The number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) is calculated based on the monetary value of the subscription rights attached to the outstanding share options.

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

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

	2019 £'000	2018 £'000
Total loss attributable to ordinary shareholders	(5,901)	(27,351)
<b>Number of shares</b>		
	2019 000's	2018 000's
Basic weighted average number of ordinary shares in issue	32,267	32,079
Dilutive potential ordinary shares	877	-
Diluted weighted average number of shares	33,144	32,079
<b>Total earnings per share</b>		
	2019 pence	2018 pence
Earnings per ordinary share		
Basic	(18.3)	(85.3)
Diluted	(17.8)	(85.3)
<b>Earnings from continuing operations</b>		
	£'000	£'000
Total profit/(loss) for the year	1,590	(27,389)



<b>Total earnings per share from continuing operations</b>		<b>2019 pence</b>	<b>2018 pence</b>
Earnings per ordinary share from continuing operations	Basic	<b>4.9</b>	(85.4)
	Diluted	<b>4.8</b>	(85.4)
<b>Earnings from discontinuing operations</b>		<b>£'000</b>	<b>£'000</b>
Total (loss)/profit for the year		<b>(7,491)</b>	38
<b>Total earnings per share from discontinuing operations</b>		<b>2019 pence</b>	<b>2018 pence</b>
Earnings per ordinary share from discontinuing operations	Basic	<b>(23.2)</b>	0.1
	Diluted	<b>(22.6)</b>	0.1
<b>Earnings from continuing underlying operations</b>		<b>£'000</b>	<b>£'000</b>
Total profit for the year		<b>8,859</b>	7,207
<b>Total earnings per share for continuing underlying operations</b>		<b>2019 pence</b>	<b>2018 pence</b>
Earnings per ordinary share from continuing underlying operations	Basic	<b>27.5</b>	22.5
	Diluted	<b>26.7</b>	22.5

## Notes Forming Part of the Financial Statements continued

## 13 Goodwill and Intangible Assets

Group		Goodwill £'000	Customer relationships £'000	Trade names £'000	Other £'000	Software and software licences £'000	Total £'000
<b>Cost</b>	At 1 August 2017	28,739	22,245	5,326	3,809	2,470	62,589
	Additions	-	-	-	-	899	899
	At 31 July 2018	28,739	22,245	5,326	3,809	3,369	63,488
	Additions	-	-	20	-	2,856	2,876
	<b>At 31 July 2019</b>	<b>28,739</b>	<b>22,245</b>	<b>5,346</b>	<b>3,809</b>	<b>6,225</b>	<b>66,364</b>
<b>Amortisation and impairment</b>	At 1 August 2017	-	5,641	1,864	1,884	1,398	10,787
	Amortisation for the year	-	1,814	343	534	341	3,032
	Impairment	21,779	9,243	1,833	465	-	33,320
	At 31 July 2018	21,779	16,698	4,040	2,883	1,739	47,139
	Amortisation for the year	-	758	167	339	328	1,592
	Impairment	2,603	2,468	744	67	-	5,882
<b>At 31 July 2019</b>	<b>24,382</b>	<b>19,924</b>	<b>4,951</b>	<b>3,289</b>	<b>2,067</b>	<b>54,613</b>	
<b>Net book value</b>	At 31 July 2018	6,960	5,547	1,286	926	1,630	16,349
	<b>At 31 July 2019</b>	<b>4,357</b>	<b>2,321</b>	<b>395</b>	<b>520</b>	<b>4,158</b>	<b>11,751</b>

Other intangibles comprises candidate databases and non-compete agreements.

The carrying amount of goodwill allocated to CGUs is as follows:

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

**Impairment testing**

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

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

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

### Cash flows from operations

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

### Discount rates

The pre-tax rates used to discount the forecast cash flows were a range from 13.3%-15.7% (2018: 12.9% to 13.3%) reflecting the Group's weighted average cost of capital, adjusted for specific risks associated with the asset's estimated cash flows. The discount rate is based on the weighted average cost of capital ('WACC'). The risk-free rate, based on government bond rates, is adjusted for equity and industry risk premiums, reflecting the increased risk compared to an investor who is investing the market as a whole. Net present values are calculated using pre-tax discount rates derived from the Group's post-tax WACC of 11.2% (2018: 11.0%) for UK CGUs and 11.8% (2018: 11.0%) for the International CGU.

### Growth rates

The medium-term growth rates are based on management forecasts, reflecting past experience and the economic environment. Long-term growth rates are based on external sources of an average estimated growth rate of 2.0% (2018: 2.7%), using a weighted average of operating country real GDP growth expectations.

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

	Goodwill 2019 £'000	Intangible assets 2019 £'000	Total 2019 £'000	Goodwill 2018 £'000	Intangible assets 2018 £'000	Total 2018 £'000
UK Technology	-	-	-	11,611	9,126	20,737
International	2,603	3,279	5,882	8,525	1,961	10,486
Professional Services	-	-	-	1,643	454	2,097
<b>Total</b>	<b>2,603</b>	<b>3,279</b>	<b>5,882</b>	<b>21,779</b>	<b>11,541</b>	<b>33,320</b>

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

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

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

## Notes Forming Part of the Financial Statements continued

## 14 Property, Plant and Equipment

Group		Motor vehicles £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>	At 1 August 2017	348	2,885	4,150	7,383
	Additions	-	1,431	422	1,853
	Disposals	(296)	-	(19)	(315)
	Effects of movements in exchange rates	-	-	2	2
	At 31 July 2018	52	4,316	4,555	8,923
	Additions	6	414	253	673
	Disposals	(37)	-	(159)	(196)
	Effects of movements in exchange rates	-	-	(17)	(17)
	<b>At 31 July 2019</b>	<b>21</b>	<b>4,730</b>	<b>4,632</b>	<b>9,383</b>
	<b>Accumulated depreciation</b>	At 1 August 2017	275	1,070	3,534
Charge for the year		12	313	361	686
Released on disposal		(243)	-	(19)	(262)
At 31 July 2018		44	1,383	3,876	5,303
Charge for the year		3	514	374	891
Released on disposal		(30)	-	(73)	(103)
<b>At 31 July 2019</b>		<b>17</b>	<b>1,897</b>	<b>4,177</b>	<b>6,091</b>
<b>Net book value</b>	At 31 July 2018	8	2,933	679	3,620
	<b>At 31 July 2019</b>	<b>4</b>	<b>2,833</b>	<b>455</b>	<b>3,292</b>

Included within Leasehold Improvements is a cost of £1,747,000 (2018: £1,390,000) relating to dilapidations provisions (see Note 18).

There were no capital commitments as at 31 July 2019 or 31 July 2018.

## 15 Investments in Subsidiary Undertakings

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

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

The subsidiary undertakings at the year end are as follows:

Company	Registered office note	Country of incorporation	Share class	% held 2019	% held 2018	Main activities
Matchtech Group (Holdings) Limited <sup>1</sup>	1	United Kingdom	Ordinary	99.7%	99.7%	Holding
Matchtech Group Management Company Limited <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
Matchtech Group (UK) Limited <sup>1</sup>	1	United Kingdom	Ordinary	99.998%	99.998%	Provision of recruitment consultancy
Matchtech Engineering Limited <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
Matchtech Limited <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
Barclay Meade Ltd <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Alderwood Education Ltd <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Gattaca Solutions Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Connectus Technology Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Gattaca Recruitment Limited <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
Application Services Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Provanis Limited <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
Networkers International Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Holding
Networkers International (UK) Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International Trustees Limited <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
The Comms Group Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Holding
CommsResources Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Comms Software Limited <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
Elite Computer Staff Ltd. <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
Networkers Recruitment Services Limited <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
Cappo Group Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Holding
Cappo International Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Resourcing Solutions Limited <sup>1</sup>	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
MSB Consulting Services Limited <sup>2</sup>	1	United Kingdom	Ordinary	100%	100%	Non-trading
Gattaca GmbH	2	Germany	Ordinary	100%	100%	Provision of recruitment consultancy
MSB International GmbH	14	Germany	Ordinary	100%	100%	Non-trading
Gattaca BV	3	Netherlands	Ordinary	100%	100%	Provision of recruitment consultancy
Matchtech Engineering Inc	4	United States	Ordinary	100%	100%	Non-trading
Networkers International LLC	5	United States	Ordinary	100%	100%	Non-trading
Networkers Inc	5	United States	Ordinary	100%	100%	Provision of recruitment consultancy
Cappo Inc	5	United States	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International (Canada) Inc	11	Canada	Ordinary	100%	100%	Provision of recruitment consultancy
NWI Mexico, S. de R.L. de C.V.	6	Mexico	Ordinary	100%	100%	Provision of recruitment consultancy
Gattaca Mexico Services, S.A. de C.V. <sup>5</sup>	6	Mexico	Ordinary	100%	N/A	Provision of recruitment consultancy

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 15 Investments in Subsidiary Undertakings continued

Company	Registered office note	Country of incorporation	Share class	% held 2019	% held 2018	Main activities
Networkers International South Africa Proprietary Limited	7	South Africa	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International Proprietary Limited	7	South Africa	Ordinary	100%	100%	Provision of recruitment consultancy
Kithara Investments Proprietary Limited	8	South Africa	Ordinary	100%	100%	Holding
Kula Nathi Investments Proprietary Limited	7	South Africa	Ordinary	100%	100%	Holding
Networkers International (China) Co. Limited	9	China	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International (Malaysia) Sdn Bhd	10	Malaysia	Ordinary	100%	100%	Non-trading
Comms Resource SDN. BHD	10	Malaysia	Ordinary	100%	100%	Non-trading
Gattaca de Colombia SAS <sup>3</sup>	12	Colombia	Ordinary	0%	100%	Non-trading
Comms Resources SAS (Colombia) <sup>3</sup>	12	Colombia	Ordinary	0%	100%	Non-trading
NWKI Consultancy FZ LLC	13	United Arab Emirates	Ordinary	100%	100%	Non-trading
NWKI Communications LLC <sup>3</sup>	13	United Arab Emirates	Ordinary	0%	49%	Non-trading
Cappo Qatar LLC <sup>4</sup>	16	Qatar	Ordinary	49%	49%	Non-trading
Networkers Consultancy (Singapore) PTE. Limited	15	Singapore	Ordinary	100%	100%	Non-trading
Gattaca SAS <sup>5</sup>	17	France	Ordinary	0%	100%	Non-trading
Gattaca Recruitment ETT, SLU	18	Spain	Ordinary	100%	100%	Non-trading
Gattaca Information Technology Services SLU	18	Spain	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International (India) PTE	19	India	Ordinary	100%	100%	Non-trading

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

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

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

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

1 For the year ended 31 July 2019, Gattaca plc has provided a legal guarantee dated 5 November 2019 under s479C of the Companies Act 2006 to these subsidiaries for audit exemption.

2 These dormant companies are exempt from preparing individual Financial Statements by virtue of s394A of the Companies Act 2006.

3 These companies were disposed of or liquidated in the year, with the shareholding remaining the same as per the year ended 31 July 2018 up to the date of disposal or liquidation. They were considered non-trading during the year ended 31 July 2019.

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

5 Gattaca Mexico Services, S.A. de C.V was incorporated in October 2018 and wholly consolidated from that date.

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**16 Deferred Tax**

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

Group	Asset	Liability	Net	(Charged)/	(Charged)	Foreign
	2018	2018	2018	to profit	to equity	exchange
	£'000	£'000	£'000	£'000	£'000	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
<b>Net deferred tax assets/(liabilities)</b>	<b>135</b>	<b>(1,636)</b>	<b>(1,501)</b>	<b>1,849</b>	<b>(211)</b>	<b>2</b>

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 16 Deferred Tax continued

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

	Group	
	2019 £'000	2018 £'000
At 1 August	(1,501)	(3,141)
Acquired intangibles	-	-
Recognised in income (Note 10)	1,089	1,849
Recognised in equity	15	(211)
Foreign exchange	1	2
<b>At end of year</b>	<b>(396)</b>	<b>(1,501)</b>
	2019 £'000	2018 £'000
Deferred tax assets reversing within 1 year	29	20
Deferred tax liabilities reversing within 1 year	(114)	(469)
<b>At end of year</b>	<b>(85)</b>	<b>(449)</b>
	2019 £'000	2018 £'000
Deferred tax assets reversing after 1 year	131	115
Deferred tax liabilities reversing after 1 year	(442)	(1,167)
<b>At end of year</b>	<b>(311)</b>	<b>(1,052)</b>

#### Unrecognised deferred tax assets

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

Of the unused tax losses £1,646,000 (2018: £1,730,000) can be carried forward indefinitely and £261,000 (2018: £99,000) expires within 20 years. No deferred tax is recognised on unremitted earnings of overseas subsidiaries as the Group is in a position to control the timing of the reversal of temporary differences and it is probable that such differences will not reverse in the foreseeable future. The temporary differences associated with the investments in subsidiaries for which a deferred tax liability has not been recognised aggregate to £9,002,000 (2018: £10,617,000). If the earnings were remitted, tax of £164,000 (2018: £191,000) would be payable.

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



## 17 Trade and Other Receivables

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

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

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

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

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

### Impairment of trade receivables from contracts with customers

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

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

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

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

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

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

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 17 Trade and Other Receivables continued

The loss allowance for trade receivables was determined as follows:

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

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

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

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

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

#### 18 Provisions

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

Group	2019			2018		
	Dilapidation provisions £'000	Onerous lease provisions £'000	Total £'000	Dilapidation provisions £'000	Onerous lease provisions £'000	Total £'000
Non-current	1,747	602	2,349	1,390	-	1,390
Current	-	332	332	-	-	-
<b>Total</b>	<b>1,747</b>	<b>934</b>	<b>2,681</b>	<b>1,390</b>	<b>-</b>	<b>1,390</b>

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

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

## 19 Trade and Other Payables

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

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

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 20 Loans and Borrowings

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

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

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

The Group's £15m (2018: £20m) Term Loan Facility is secured by way of a fixed and floating charge over assets of the Group. Interest is charged on borrowings at a rate of 3.25% (2018: 3.25%) over HSBC LIBOR rate. The Group is required to comply with certain financial covenants in the Term Loan Facility and all covenant requirements were satisfied in the year.

#### 21 Financial Assets and Liabilities Statement of Financial Position Classification

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

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

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

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

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

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

## 22 Commitments Under Operating Leases

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

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

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

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 23 Share Capital

##### Authorised share capital

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

##### Allotted, called up and fully paid:

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

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

	Company	
	2019 '000	2018 '000
In issue at 1 August	32,256	31,801
Exercise of share options	29	455
<b>In issue at 31 July</b>	<b>32,285</b>	32,256

##### Share options

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

	2019 '000s	2018 '000s	Date of grant	Exercise price pence	Exercise period	
					From	To
Zero-Priced Share Option Bonus	1	1	18/01/2010	1	18/01/2012	18/01/2020
Zero-Priced Share Option Bonus	1	1	18/01/2010	1	18/01/2013	18/01/2020
Zero-Priced Share Option Bonus	1	1	04/02/2011	1	03/02/2013	04/02/2021
Zero-Priced Share Option Bonus	1	1	04/02/2011	1	03/02/2014	04/02/2021
Zero-Priced Share Option Bonus	1	1	31/01/2012	1	30/01/2014	31/01/2022
Zero-Priced Share Option Bonus	1	1	31/01/2012	1	30/01/2015	31/01/2022
Zero-Priced Share Option Bonus	2	2	31/01/2013	1	30/01/2015	31/01/2023
Zero-Priced Share Option Bonus	2	4	31/01/2013	1	30/01/2016	31/01/2023
Zero-Priced Share Option Bonus	5	6	01/01/2014	1	01/01/2016	01/01/2024
Zero-Priced Share Option Bonus	34	41	01/01/2014	1	01/01/2017	01/01/2024
Zero-Priced Share Option Bonus	3	5	28/01/2015	1	28/01/2017	28/01/2025
Zero-Priced Share Option Bonus	27	35	28/01/2015	1	28/01/2018	28/01/2025
Zero-Priced Share Option Bonus	-	10	16/10/2015	1	16/10/2018	16/10/2025
Long-Term Incentive Plan Options	-	13	11/02/2016	1	11/02/2019	11/02/2026
Zero-Priced Share Option Bonus	-	60	11/02/2016	1	11/02/2019	11/02/2026
Long-Term Incentive Plan Options	-	15	11/02/2016	225	11/02/2019	11/02/2026
Zero-Priced Share Option Bonus	62	62	03/02/2017	1	03/02/2020	03/02/2027
Zero-Priced Share Option Bonus	107	122	31/01/2017	1	31/01/2020	31/01/2027
Long-Term Incentive Plan Options	-	83	31/01/2017	72	31/01/2019	31/01/2027

	2019 '000s	2018 '000s	Date of grant	Exercise price pence	Exercise period From	To
Long-Term Incentive Plan Options	72	83	31/01/2017	72	31/01/2020	31/01/2027
Long-Term Incentive Plan Options	-	55	31/01/2017	145	31/01/2019	31/01/2027
Long-Term Incentive Plan Options	38	55	31/01/2017	145	31/01/2020	31/01/2027
Zero-Priced Share Option Bonus	324	-	19/12/2018	1	19/12/2021	19/12/2028
Zero-Priced Share Option Bonus	201	-	19/12/2018	1	19/12/2021	19/12/2028
<b>Total</b>	<b>883</b>	657				

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

The movement in share options is shown below:

	2019			2018		
	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1 August	657	48.2	-	1,477	30.4	-
Granted	525	1.0	-	-	22.6	-
Forfeited/lapsed	(270)	76.8	-	(365)	40.5	-
Exercised	(29)	1.0	129.8	(455)	1.7	276.6
<b>Outstanding at 31 July</b>	<b>883</b>	<b>13.1</b>		657	48.2	
<b>Exercisable at 31 July</b>	<b>78</b>	<b>1.0</b>		109	1.0	

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

Exercise date	2019			2018		
	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)
31/01/2019	-	-	-	6	138	101.8
11/02/2019	-	-	-	7	88	41.1
31/01/2020	6	217	49.9	18	260	53.8
03/02/2020	6	62	1.0	18	62	1.0
18/12/2021	29	525	1.0	-	-	-
<b>Total</b>		<b>804</b>			548	

In addition to the share option schemes the Group operated a SIP, which is an HMRC-approved plan available to all employees enabling them to purchase shares out of pre-tax salary. For each share purchased the Company grants an additional share at no cost. During the year the Company purchased 92,247 shares (2018: 83,740) under this scheme, incurring a charge of £23,564 (2018: £26,723) recognised in the share-based payment reserve.

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

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 23 Share Capital continued

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

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

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

Date of grant		Share price on the date of grant (£)	Exercise price (£)	Volatility (%)	Vesting period (yrs)	Dividend yield (%)	Risk-free rate of interest (%)	Fair value (£)
05/08/2016	SIP	3.54	0.01	N/A	3.00	N/A	N/A	3.54
09/09/2016	SIP	3.87	0.01	N/A	3.00	N/A	N/A	3.87
07/10/2016	SIP	3.57	0.01	N/A	3.00	N/A	N/A	3.57
08/11/2016	SIP	3.16	0.01	N/A	3.00	N/A	N/A	3.16
07/12/2016	SIP	2.95	0.01	N/A	3.00	N/A	N/A	2.95
16/01/2017	SIP	2.98	0.01	N/A	3.00	N/A	N/A	2.98
31/01/2017	Zero-Priced Share Option Bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.27
31/01/2017	Zero-Priced Share Option Bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.51
31/01/2017	Zero-Priced Share Option Bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.23
31/01/2017	Zero-Priced Share Option Bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.49
31/01/2017	Long-Term Incentive Plan Options	2.90	0.72	31.6%	3.00	7.9%	0.3%	0.86
03/02/2017	Long-Term Incentive Plan Options	2.90	1.45	31.6%	3.00	7.9%	0.3%	0.66
07/02/2017	SIP	2.94	0.01	N/A	3.00	N/A	N/A	2.94
07/03/2017	SIP	2.94	0.01	N/A	3.00	N/A	N/A	2.94
07/04/2017	SIP	3.10	0.01	N/A	3.00	N/A	N/A	3.10
09/05/2017	SIP	3.18	0.01	N/A	3.00	N/A	N/A	3.18
07/06/2017	SIP	3.28	0.01	N/A	3.00	N/A	N/A	3.28
07/07/2017	SIP	3.09	0.01	N/A	3.00	N/A	N/A	3.09
07/08/2017	SIP	2.87	0.01	N/A	3.00	N/A	N/A	2.87
08/09/2017	SIP	2.99	0.01	N/A	3.00	N/A	N/A	2.99
09/10/2017	SIP	3.10	0.01	N/A	3.00	N/A	N/A	3.10
08/11/2017	SIP	3.12	0.01	N/A	3.00	N/A	N/A	3.12
08/12/2017	SIP	3.05	0.01	N/A	3.00	N/A	N/A	3.05
09/01/2018	SIP	3.00	0.01	N/A	3.00	N/A	N/A	3.00
08/02/2018	SIP	2.63	0.01	N/A	3.00	N/A	N/A	2.63
08/03/2018	SIP	2.31	0.01	N/A	3.00	N/A	N/A	2.31
12/04/2018	SIP	1.84	0.01	N/A	3.00	N/A	N/A	1.84
09/05/2018	SIP	1.40	0.01	N/A	3.00	N/A	N/A	1.40



Date of grant		Share price on the date of grant (£)	Exercise price (£)	Volatility (%)	Vesting period (yrs)	Dividend yield (%)	Risk-free rate of interest (%)	Fair value (£)
08/06/2018	SIP	1.58	0.01	N/A	3.00	N/A	N/A	1.58
09/07/2018	SIP	1.25	0.01	N/A	3.00	N/A	N/A	1.25
08/08/2018	SIP	1.50	0.01	N/A	3.00	N/A	N/A	1.50
10/09/2018	SIP	1.40	0.01	N/A	3.00	N/A	N/A	1.40
08/10/2018	SIP	1.30	0.01	N/A	3.00	N/A	N/A	1.30
08/11/2018	SIP	1.41	0.01	N/A	3.00	N/A	N/A	1.41
10/12/2018	SIP	1.14	0.01	N/A	3.00	N/A	N/A	1.14
19/12/2018	Zero-Priced Share Option Bonus	1.07	0.01	N/A	3.00	0.0%	N/A	1.08
19/12/2018	Zero-Priced Share Option Bonus	1.07	0.01	44.9%	3.00	0.0%	0.7%	0.73
09/01/2019	SIP	1.13	0.01	N/A	3.00	N/A	N/A	1.13
08/02/2019	SIP	1.17	0.01	N/A	3.00	N/A	N/A	1.17
11/03/2019	SIP	1.18	0.01	N/A	3.00	N/A	N/A	1.18
08/04/2019	SIP	1.39	0.01	N/A	3.00	N/A	N/A	1.39
09/05/2019	SIP	1.58	0.01	N/A	3.00	N/A	N/A	1.58
10/06/2019	SIP	1.53	0.01	N/A	3.00	N/A	N/A	1.53
08/07/2019	SIP	1.43	0.01	N/A	3.00	N/A	N/A	1.43

For Zero-Priced Share Option Bonus grants in 2019 that are subject to a TSR vesting condition, a Monte Carlo simulation model was used for valuation. For Zero-Priced Share Option Bonus grants in 2019 that are subject to an EPS growth vesting condition, a Binomial model was used for valuation.

Prior to the 2018 award, the volatility of the Company's share price on each date of grant was calculated as the average of the annualised standard deviations of daily continuously compounded returns on the Company's stock, calculated over five years back from the date of grant, where applicable. From 2018 onwards, the volatility of the Company's share price on the date of grant was calculated using the historical daily share price of the Company over a term commensurate with the expected life of the award. For all awards the risk-free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the life of the option.

## 24 Transactions with Directors and Related Parties

During the year the Group made sales of £89,000 (2018: £152,000) to InHealth Group Ltd and purchases of £11,000 (2018: £7,000) from Preventicum UK Limited which are related parties by virtue of common directorship of Richard Bradford. During the year, the Group made sales of £201,000 (2018: £350,000) to Tricoya Technologies Limited, a subsidiary of Accsys Technologies Plc, which is considered as a related party transaction by virtue of common directorship of Patrick Shanley. As at the year end, there was no balance outstanding for any transactions for InHealth Group Ltd, Preventicum UK Limited or Tricoya Technologies Limited (2018: £5,000 outstanding balance with InHealth Group Ltd, £nil for Preventicum UK Limited, £nil for Tricoya Technologies Limited). Group policy is for all transactions with related parties to be made on an arm's length basis and no guarantees have been given to, or received from, related parties.

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

During the year Matchtech Group (UK) Limited charged Gattaca plc £715,000 (2018: £803,000) for provision of management services. Further details of transactions with Directors are included in the Director's Remuneration Report on pages 65 to 75.

The remuneration of key management is disclosed in Note 5.

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 25 Financial Instruments

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

#### Maturity of financial liabilities

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

Group	0 to <1 years £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000	Contractual cash flows £'000
<b>2019</b>					
Term loan	531	15,129	-	-	15,660
Invoice financing working capital facility	29,228	-	-	-	29,228
Trade payables	25,639	-	-	-	25,639
<b>Total</b>	<b>55,398</b>	<b>15,129</b>	<b>-</b>	<b>-</b>	<b>70,527</b>
<b>2018</b>					
Term loan	556	500	15,121	-	16,177
Invoice financing working capital facility	35,907	-	-	-	35,907
Trade payables	18,725	-	-	-	18,725
<b>Total</b>	<b>55,188</b>	<b>500</b>	<b>15,121</b>	<b>-</b>	<b>70,809</b>

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

#### Borrowing facilities

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

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

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

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

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group has a robust approach to forecasting both net debt and trading results on a monthly basis, looking forward to at least the next four covenant periods. As at 31 July 2019 the Group has financing facilities of £90m, comprising a £75m Invoice Financing Facility and a £15m Term Loan Facility until October 2020. The available financing facilities in place are sufficient to meet the Group's forecast cash flows.

### Foreign currency risk

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

Net foreign currency monetary assets are shown below:

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

The effect of a 25-cent strengthening of the Euro and US Dollar against Sterling at the financial position date on the Euro and US Dollar denominated trade and other receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £4,279,000 (2018: £3,567,000). A 25-cent weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and reduced net assets by £2,778,000 (2018: £2,353,000).

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

## Financial Statements

### Notes Forming Part of the Financial Statements continued

#### 26 Capital Management Policies and Procedures

Gattaca plc's capital management objectives are:

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

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

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

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

#### 27 Net Debt

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

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

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

2018	1 August 2017 £'000	Net cash flows £'000	Amortisation of financing costs £'000	31 July 2018 £'000
Cash and cash equivalents	5,802	3,956	-	9,758
Interest-bearing term loan	(20,714)	5,714	-	(15,000)
Working capital facilities	(25,693)	(10,166)	-	(35,859)
<b>Total net debt</b>	<b>(40,605)</b>	<b>(496)</b>	<b>-</b>	<b>(41,101)</b>
Capitalised finance costs	317	25	(115)	227
<b>Total net debt after capitalised finance costs</b>	<b>(40,288)</b>	<b>(471)</b>	<b>(115)</b>	<b>(40,874)</b>

### 28 Non-controlling Interests

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

### 29 Contingent Liabilities

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

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

### 30 Events after the Reporting Date

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



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