GATTACA

Unleashing future potential

Annual Report and Accounts 2016

We aim to be the leading specialist recruiter in all our markets

Who we are
We are a people business, and relationships are at the heart of who we are. Our culture sets us apart from our competitors – and the more we live our culture, the more we succeed.

What we do
We are experts in Engineering and Technology recruitment.As our understanding of our clients and candidates grows, we can provide the best match for culture, skills, values and shared objectives. We see the relationship as something that transcends a single job placement.

How we do it
As our staff are central to this process, it's vital they feel engaged and motivated. So we look for people who are passionate about recruitment, who demonstrate our values, and who take pride in everything they do.

Find out more online
www.gattacaplc.com

Reasons to invest

- **Growth potential**
  History of strong net fee income and profit growth
- **Strong sector experience**
  Niche sector expertise gives competitive advantage
- **Comprehensive solutions**
  Resourcing solutions include contingent, framework and bespoke
- **Operationally efficient**
  Back-office systems provide low-cost transactions
- **Contract/Permanent balance**
  Recurring and high-margin, cash-generative mix
- **Geographic distribution**
  Increasing opportunities for overseas net fee income generation
- **Committed funding**
  £105 million of facilities provide robust liquidity coverage
- **Dividend yield**
  Solid dividend payout record

Key financial highlights

Group revenue	Net fee income	Profit from operations
£617.6m	**£73.0m**	**£15.1m**
2015: £502.3m	2015: £54.8m	2015: £12.4m
Profit before tax	**Basic EPS**	**Diluted EPS**
£15.1m	**32.1p**	**31.0p**
2015: £11.3m	2015: 31.0p	2015: 29.6p
Dividend per share		
23.0p		
2015: 22.0p		

Net fee income (NFI) is calculated as revenue less contractor payroll costs.

1 Strategic Report

2 Governance

3 Financial Statements

Chairman's Statement

It has been a transformational year in which we have grown earnings and invested in strengthening the Group

I am delighted to introduce the Group's 2016 Annual Report, my first as Non-Executive Chairman, having joined in December 2015.

Since arriving, whenever I meet our employees, I am always impressed with the professionalism of the individuals, their enthusiasm and the teamwork that exists. This makes for a strong and unique culture, which we aim to retain as we grow the business.

It has been a transformational year, with significant investment in ensuring the successful integration of Networkers into the Group, the strengthening of our international footprint in Asia and North America and the launch of the new Group brand, Gattaca.

With Gattaca, we now have three distinct brands. Matchtech is centred on Engineering and Networkers on Technology. Both brands are long established and well known. The Group rebrand was the final touch in the front office integration, and we can now push forward, transforming our business into a truly global, specialist recruitment group. While we have further work to undertake in harmonising systems, the majority of benefits will be realised this coming year.

As a result of the Networkers acquisition, the Group's overall results are up significantly on 2015. NFI increased 33%, although on a like-for-like basis we are flat year-on-year. A robust performance in Engineering was offset by some disappointing early results in the IT sector of Technology. We responded quickly, applying the same segmented marketing approach we developed in Engineering, and have already seen an improvement in results. Overall, we are well placed to benefit from the growth opportunities we see in many of the markets in which we operate as the demand for skilled engineers and technology specialists continues to grow.

The Group's progressive dividend policy remains an important part of our investment proposition. Diluted earnings per share of 31.0p (2015: 29.6p) was up 5% and the Board feels confident in recommending to shareholders a final dividend per share of 17.0p giving a 5% increase in the total dividend for the year to 23.0p (2015: 22.0p). If approved by shareholders at the Annual General Meeting, to be held on 7 December 2016, the final dividend will be payable on 16 December 2016 to those shareholders on the register on 18 November 2016.

On behalf of the Board, I would like to thank all staff for their contribution to the success of the business. I would also like to thank my colleagues on the Board, especially Ric Piper for his time as Interim Chairman.

The medium-term outlook for Gattaca is positive, despite some weakening in demand in the UK. The Board will continue to assess UK trading over the coming months as clearly there is uncertainty over how the EU referendum result will affect UK investment.

We are, however, well placed to increase our market share in the UK, while pursuing strong international growth through our regional hubs.

We are exceptionally good at what we do – specialist Engineering and Technology recruitment – and we know we have the employees who can rise to the challenge of growing this business. I look forward to the future with confidence.

Patrick Shanley
Chairman

EU referendum

In the months immediately before and after the EU referendum held on 23 June 2016, there was a pause in some clients' recruitment, but activity returned quickly to pre-referendum levels. Companies that were recruiting before have continued to do so in the subsequent months.

Demand for skilled engineers in both the UK public and private sectors remains strong, and we have yet to see any change to vacancy flow.

Over the next 12-18 months, we will have a clearer picture of whether companies expanding operations into Europe will select the UK or a rival European country as their hub.

With European worker legislation now largely enshrined in UK law, and the inevitable complexity of the exit, we feel there will be minimal changes to our business in the near term, despite a broader economic slowdown.

Where there is a visa and work permit regime, it is not necessarily an impediment to the mobility of highly trained professionals in markets short of skills.

However, the outcome of the vote continues to make the economic outlook uncertain, and it is still too early to say what its impact will be for Gattaca. While the amount of business we conduct in Europe is not significant, the same cannot be said for many of our clients and any uncertainty can have a knock-on effect in the investment decisions our clients make.

In the longer term, our strength within the Engineering and Technology sectors transcends international boundaries, and as the trend towards globalisation continues, we are in a good position to respond to any EU exit settlement eventually reached.

Understanding our markets

Key market trends

Political
Labour markets around the world are loosening restrictions on temporary and contract labour to increase employment rates. This makes it easier to add our contract staffing service line to our existing permanent placement operations in both current and new international locations.

Social
Our highly skilled Engineering and Technology candidates value the opportunity to work when, where and for however long they wish, without being bound to one employer in a 'permanent' job. The average number of jobs held during a career is increasing and this higher 'churn' rate of permanent employees improves our permanent net fee income. Demographic trends, combined with the increasing pace of technological development, means there are growing skills shortages in our areas of specialisation.

Economic
Our clients continue to feel pressure on their margins, reinforcing their desire for flexibility in the way they engage the skills they need. They must be able to flex their workforce to the requirements of their projects. They do not want to retain expensive cover simply for peak periods, prompting their further use of contract labour.

Technological
More job opportunities and candidates are available online than ever before. This enables supply to meet demand in low-skill areas, but for highly skilled requirements, a human interaction is valued by both parties, and that is what we provide. The breadth of opportunities to hire and be hired in Technology is driving the demand for companies like ours to monitor these opportunities and offer only relevant and timely vacancies and candidates as appropriate.

> Candidates want to work on the most prestigious projects and our knowledge of our markets allows us to offer these opportunities.

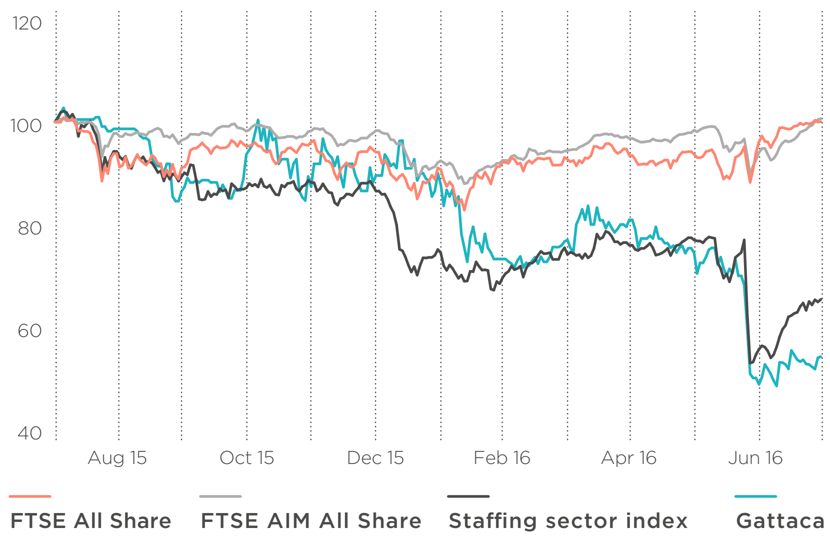
Market highlights

Due to uncertainties arising from weak macroeconomic factors, including forecast economic growth, depressed commodity prices and geopolitical uncertainties, global equity markets have seen increased volatility and some weakness.

The FTSE All Share Index over our financial year was broadly flat, along with other major UK indices, but the staffing sector underperformed over the period, as shown in the chart opposite, declining 33%.

A significant proportion of this decline followed the EU referendum on 23 June 2016, with the staffing sector declining over 14% up to 31 July 2016.

Annual share price performance against market indices



A balanced portfolio

Investment proposition

There are a number of levers we view as essential to offer a compelling investment proposition:

Geographic distribution
While continuing to grow our UK business, we aim to increase the contribution from overseas territories, thus reducing our dependence on any one region.

Framework versus contingent
The 75% of our business that comes from formal agreements provides a healthy level of recurring, resilient income, balanced with higher-margin, cash-generative contingent business.

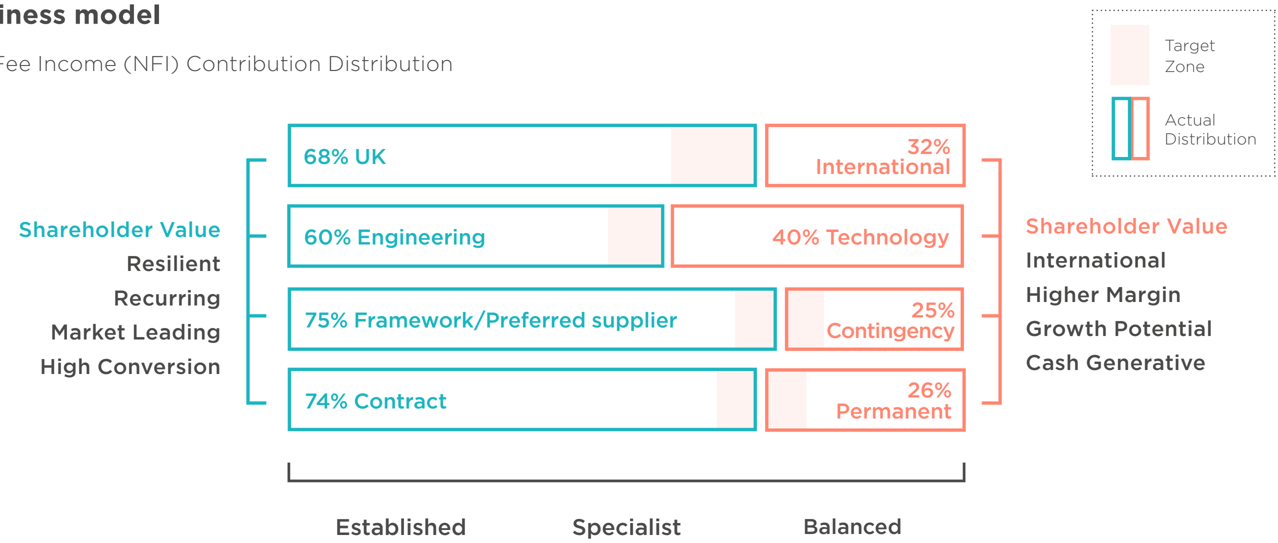
Sector distribution
We aim to have a balanced distribution between Engineering and Technology, with both sectors offering significant growth opportunities, yet providing greater resilience against sectoral trends.

Contract versus permanent recruitment
We aim to maintain our contract/permanent income blend with contract providing greater visibility of revenue streams and permanent income being higher margin and cash generative.

> We offer an established, specialist and balanced investment proposition.

Business model

Net Fee Income (NFI) Contribution Distribution



Through our UK and international network, we have significant opportunity for growth without diversification

Gattaca – a focused business

2016 has undoubtedly been the most significant year in the company's history since our flotation 10 years ago. Our acquisition of Networkers in April 2015 saw us begin the complex process of integrating two people-businesses.

Emerging from this, we decided to re-brand our Group to Gattaca, a choice based on our culture, which is a major driver of our success. With our founding shareholder on the Board, the Group retains the feel of a family business. Gattaca expresses the idea of a group of individuals who are part of a bigger entity, who have shared DNA and a common purpose, but who each have their own specialisms.

Recruitment is about relationships, and long-term success follows a virtuous circle – we place candidates, who become clients, who seek great candidates.

We are highly specialised, with a differentiated position – we believe that there is no other recruiter of our size and geographical spread who focuses purely on Engineering and Technology disciplines.

We are recognised as the UK's number one Engineering recruiter[1], yet estimate our market share at around only 5%. The global Engineering recruitment market is valued at US$26bn and the Technology recruitment market at US$57bn. Clearly, therefore, we have capacity for substantial international growth without diversification due to our 'narrow and deep' sales strategy.

1 Recruitment International Top 500 Report 2016.

The virtuous cycle

Our relational approach, specialist focus and flexible offering create a virtuous circle – we place candidates, who become clients, who seek great candidates.

By integrating Networkers and Matchtech, we are on track to achieve considerable cost savings of £3.1m. These cost savings have been largely redeployed through strategic investments of £1.8m in areas that include internal recruitment, learning and development, bids, business development and regional management. This incorporates the appointment of managing directors for Asia and the Americas. NFI from our international offices grew 30% and we continue to invest in these areas.

European countries are tougher markets for UK recruiters than English-speaking ones. We have laid foundations for planned expansion, having won a pan-European managed service programme for a major global technology client. For this, we established operational teams in the Netherlands, Spain and Germany, which will also make it easier to provide services to other clients in the future.

The 2017 financial year has started with growth internationally offset by a weaker performance in the UK. An early success this year has been the first sales win by our Gattaca solutions service line, which significantly enhances our international delivery capability.

Looking forward, uncertainty about the future of the British economy raises concerns for companies like ours, operating in what is seen as a highly cyclical sector. Nevertheless, our well established approach of partnering with our clients on long-term public and private infrastructure projects mitigates this risk to some extent, as does our increasing geographic diversification.

The strategic repositioning of the Group is now complete. We have two well-regarded market-facing brands – Matchtech and Networkers – which are well placed to gain share in the highly attractive Engineering and Technology markets. Our investment in business development and international operations, as well as our burgeoning solutions service line, give me great confidence in the Company's future prospects.

Brian Wilkinson
Chief Executive Officer

A sound strategy for growth

1. Sharpen our focus

> Read more p.10

2. Move up the value chain

> Read more p.12

3. Think global

> Read more p.14

Performance Review

Positive growth in Engineering and Telecoms

Engineering grew 6% and Telecoms 9%, offset by IT down 17%.

Engineering performance
The Engineering sector performed well with net fee income (NFI) up 6% on 2015.

Infrastructure performed particularly strongly with 18% NFI growth on the back of continued investment in the UK on major projects including Crossrail, Thames Tideway, London Bridge, South West Rail extension, major highway upgrades and High Speed 2. To accelerate growth, we have increased headcount in our London office. We also see significant opportunities internationally, particularly in the US, where Texas Road & Highway Construction alone has an annual budget of $2.5bn dedicated from 2018 and is an opportunity to mirror one of Matchtech's strongest UK divisions in our Dallas office.

Our energy business as a whole was down 7% on 2015 due to the continued global downturn in oil & gas but was mitigated to some extent by the nuclear, renewables and transmission sectors. There was growth in the renewables markets in the UK, the Middle East and East Africa. We are well placed to support the large-scale upgrade and new-build power transmission projects, particularly in the US, with billions of dollars in upgrades and new builds planned for the coming decades. In the UK, delays to the nuclear new build programme slowed activity, but the approval since the year end of Hinkley Point and renewal of Trident should spur activity in the coming years.

The automotive division saw NFI decrease by 4%. In the UK, new car sales are at record levels and research and development investment is high, yet there are acute skill shortages with an estimated 50,000 additional automotive engineers needed in the UK by 2020. The success of electric vehicles is transforming environmental performance expectations, while the transport system is likely to be impacted by connected cars and smart motorways. The sector provides plenty of opportunity and we are confident of our ability to maximise this.

The aerospace division saw growth of 12% on the back of original equipment manufacturers enjoying strong order books for existing aircraft model production. We are seeing demand predominantly across precision machining and interiors skill sets. Our teams provide skills to clients looking to future-proof the next five-to-ten years in materials development and technical innovations.

Maritime had a challenging year, with the lull in naval build programmes following the completion of the Queen Elizabeth class aircraft carriers leading to a fall in contract NFI of 17%. However, with the new aircraft carriers due to arrive in Portsmouth next year and with the Successor submarine programme approved by Parliament, we expect a return to growth. Overseas, we continue to build on our success sourcing talent for the CAD$26bn Canadian surface combatant programme helping permanent fee income grow 11% and we have recruited staff to capitalise on opportunities in Europe and Australia.

We saw good growth of 10% in general engineering which supplies candidates across multiple sectors, where skill shortages are considerable, including fast moving consumer goods (FMCG), medical devices and special purpose machinery. Permanent fee income increased by 25% as a result. Demand remains high for science and medical staff in pharmaceutical and radiography in private healthcare, where UK shortages prompted candidate attraction campaigns in Europe and the US.

We saw a strong performance from engineering technology, with contract NFI increasing by 17%. This division serves as the link between our two specialist brands operating within the convergence of Engineering and IT skill sets. This sector is evolving rapidly with advances in manufacturing process automation and product innovation.

We also saw good growth in our professional staffing business, which supplies finance, HR, procurement and sales staff to our Engineering and Technology clients with NFI up 16%.

Technology performance
The Technology sector underperformed with NFI down 6% on 2015. Telecoms delivered strong growth of 9% in NFI, offset by IT which was down 17% year-on-year, but with the rate of decline slowing (H1 down 21%, H2 down 14%).

Telecoms performed well globally, particularly strong in Africa, Asia and Latin America on the back of investment in 4G/LTE network rollouts and upgrades. New markets of IP/broadcast, post-paid billings and mobile money are also creating opportunities. The convergence of Telecoms and IT skills has presented high-end roles in IT security, Enterprise Resource Planning (ERP) and development.

As reported at the half year, we have streamlined the IT structure to focus on five specialisms, leadership (business change), ERP, development, cloud, and security.

Our leadership business has performed steadily with NFI broadly the same as last year, supplying change and transformation experts, programme and project managers and business analysts to the engineering, leisure and retail sectors in the UK.

ERP was down 30%, impacted by a major client outsourcing its entire IT function. This business has predominantly been focused on the European market delivered from the UK and to improve resilience and growth opportunities, we have increased headcount in the US and Singapore.

We also saw a 20% reduction in demand from our corporate account and public sector clients and we have integrated our two public sector businesses and formed one, industry-focused, business unit.

Internationally, however, IT grew NFI by 8% with particularly strong performances in the Middle East, Asia and North America.

Going forward, IT development skill shortages in permanent recruitment are resulting in an active contract market and our focus on small and medium size organisations is gaining traction, particularly in financial technology. We have a well-established team in the UK and have invested in new headcount in our US and Canada offices.

We work with system integrators on cloud implementation projects and are seeing increased demand across Europe in the niche cloud applications market and are looking to extend this into other locations.

Cyber security is a relatively new specialism and we see this as a growth market with businesses forecast to significantly increase investment, based on the vast amounts of data being created and the increasing importance of keeping it secure.

Strategy in Action

1. Sharpen our focus

Only operate within target sectors
We know from external market research that our clients and candidates want to work with a specialist recruiter. We ensure our consultants have a narrow and deep focus, only operating within their specialist area. This helps them to build long-term relationships and become experts in their market.

Greater scale of niche skills
As our consultants refine their niche offering, aligning to our clients' needs, we seek to extend that offering to other clients and within other geographies.

Optimise for efficiency and growth
Our Group support functions operate with high levels of efficiency, affording them time to partner with our consultants, and provide data and insight to help the business grow.

Our market dynamics and growth opportunities

Specialist teams
Within our two core sectors, Engineering and Technology, we have specialist teams who focus only on their specific area of expertise, allowing them to become thought leaders in their marketplace.

Our sectors are clearly defined and offer significant growth opportunities in the UK and internationally.

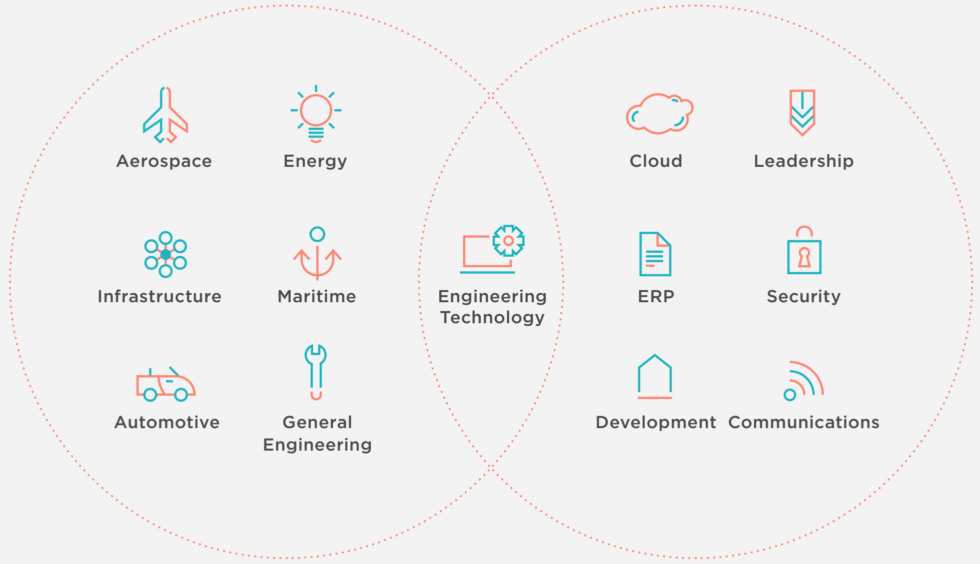
The two core sectors converge as Engineering Technology. Its focus is on the increasing convergence of skills as technology augments and automates systems and communication.

Engineering

MATCHTECH

Technology

NETWORKERS



Q&A

Brian Wilkinson, CEO

What is convergence?
In its simplest form, convergence is the overlap between Engineering and Technology. We are still at the early stages of what is becoming a 'smart' world, where data and information are shared in real time. The connected car is a good example where automotive, traditionally an engineering stronghold, is becoming more technology-focused as vehicles start to interact with their environment through sensors and mobile connectivity.

We are the only recruitment firm of our scale specialising in the intersection of applied engineering and connectivity. Nobody else offers the same coverage of combined traditional engineering and higher-level software development skills.

How will the niche focus work in converging industries?
As new markets emerge through convergence, we will see some skills migrate from other sectors. As they mature, the application of technologies in a specific market will become niche in their own right. Our teams work collaboratively, drawing on specialist knowledge, relationships and experience as required.

Have you selected the right niches in IT?
A close relationship with clients, along with market insight, help us identify trends faster. Our flexibility means we can rapidly support new or growing sectors and skills, and move away from areas that are no longer valuable to our clients.

What impact has this strategy had on contract margin?
While our average contract margin has increased only incrementally, due to the large proportion of agreed framework contracts, we have seen an increase in the margins we generate from new, contingent business.

What does it mean to optimise for efficiency and growth?
We aim to provide Group support services that are cost effective, timely, accurate and efficient. Our operations must be able to scale with the organisation and provide vital support as we grow, whether that's dealing with larger volumes of transactions, recruiting more of the best consultants, utilising complaint resolution systems or providing financial insight.

2. Move up the value chain

Work with clients who value service

With around 75% of our income coming from clients opting for framework or preferred supplier agreements, we see growth in demand for solutions that can be tailored to meet our clients' needs.

Place higher-level candidates

Clients draw on our expertise for niche, hard to find, skilled and professional candidates. Placements of key individuals higher up the value chain are strategically important to clients and help strengthen the relationship.

The right price for quality service

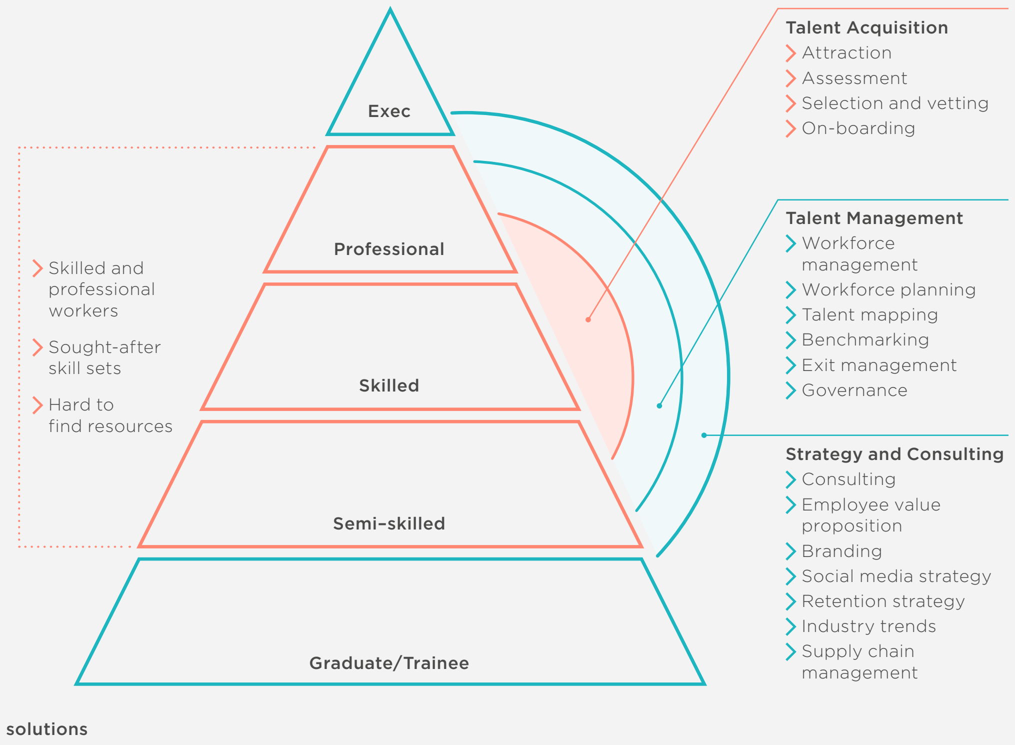
We are specialists and can introduce quality candidates that our clients cannot find. As such, we are able to structure our pricing at the appropriate level, be it for a strategic placement or a volume-based solution.

Our market dynamic and growth opportunities

The value chain

We specialise in semi-skilled, skilled and professional recruitment. We are able to support clients with high-volume placements and, where the need is strategic or niche, can provide candidates that HR teams may not be able to find.

Our aim is to complement internal recruitment teams rather than compete with them. We achieve this by offering customisable solutions that can enhance an existing capability or provide one where required.



Q&A

Brian Wilkinson, CEO

How do you deliver value?

We aim to build mutually beneficial relationships with our clients. The start of the relationship may typically be through one-off, contingent recruitment. Our connections with great candidates mean we can offer a high-quality service. For some clients this is all they need. Others may want us to introduce additional products and services or ask that we support a preferred supplier list. For international clients, value may come from including additional regions, sectors or skills. As the breadth and depth of our solutions increase, the overall value we offer increases.

How will the new Gattaca brand help you?

Our consultants have a deep knowledge of their specialist areas. They understand a client's business, and know who the best candidates are for each role. The ability to offer high-value services at scale is what sets us apart from our competition. Gattaca enables us to offer these additional solutions with the level of professionalism and quality that clients have come to expect from our consultants. Whether they are running an induction process or supporting a contractor payroll solution, our client services teams bring their own niche skills and specialisms.

How has your margin profile changed?

For one-off, contingent business, it is appropriate that the margin reflects the quality of service we offer. As we move into contracted business, where the volume of recruitment grows and clients request additional services, it is more appropriate to view the pricing structure as a whole.

Graduate and executive recruitment seem to sit outside your core business. Why is this?

Many larger companies have internal teams working on graduate recruitment. We have no desire to compete with our clients and so we offer consulting and advice to help these teams achieve their objectives. If a client doesn't have the resources to run this in-house, we have skilled teams that can.

Executive recruitment differs in that clients often dedicate internal resources to succession planning and may well already have a view on potential candidates. Again, we can support and advise where needed, or draw on our specialist teams and network to find the ideal candidate.

Strategy in Action continued

3. Think global

Invest and grow in attractive markets
With an international footprint of 13 offices, we focus on emerging and fast-growing markets. We are able to draw on our experience and replicate the culture, skill and success that have served us well.

Offer global capability to clients
Many of our clients are global businesses looking for specialist help on a broader scale. With our international network, and experience placing candidates in over 100 countries, we are able to support them wherever they are.

Provide candidates with global opportunities
Candidates want to work on the most prestigious projects, regardless of location. Our international offices and client base provide access to more of the global opportunities that candidates seek.

Our market dynamic and growth opportunities

Our three UK and 10 international offices create a network of regional hubs.

From these locations, we trade across borders and make placements in over 100 countries.

Working from key locations allows us to keep our operational overhead costs low and maintain our strong net fee income conversion ratio.

Our international presence enables us to support clients across multiple geographies and to offer global opportunities for our staff and candidates.

Q&A

Brian Wilkinson, CEO

What's behind your global expansion?
We have seen two notable trends. The first is that many clients are expanding internationally and so ask for global agreements with local consultant support. The second is that as Engineering and Technology converge, they require more niche skills, meaning we need to draw from a wider talent pool.

What are your international growth targets?
We would like our international business to grow from its current 32% of Group NFI towards a medium-term target of 40%. The timing of this will be influenced by the rate of UK growth. Greater international NFI will increase our resilience in the face of a slowing down in any particular region. Additionally, cross-selling and up-selling our sector and skills expertise will make us less vulnerable to industry-specific trends.

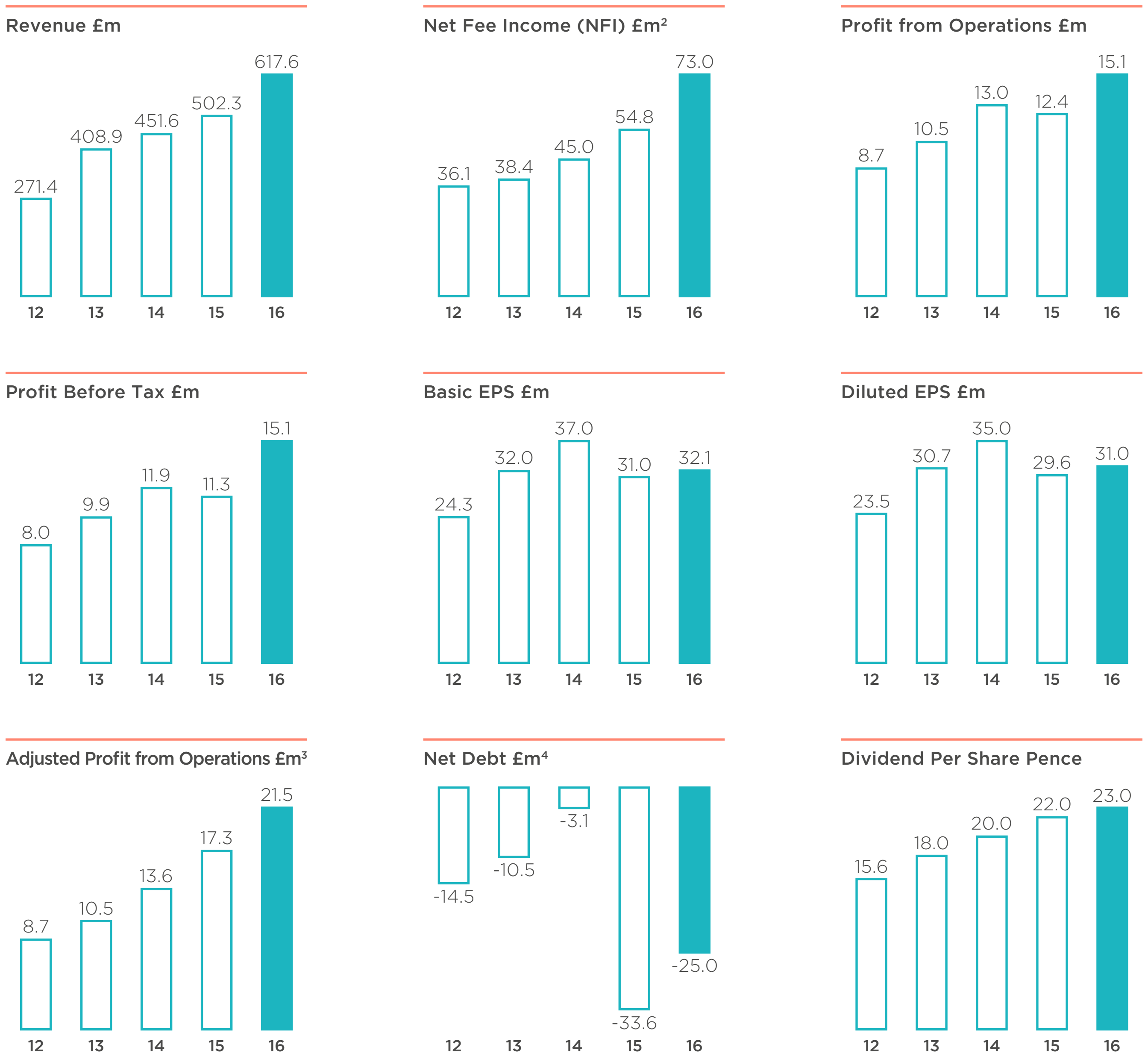
How do you plan to replicate your UK success in other parts of the world?
People are at the heart of our success. Our values remain a big draw for new recruits, and we aim to replicate our strong sense of family and belonging wherever we operate in the world. We invite our people to be part of the Gattaca 'clan'. We can offer international career opportunities to those who may want them, and the chance to be at the centre of an international recruitment business for those who don't. We reward in the top quartile for our industry, and we offer market-leading benefits packages, reinforcing our culture.

What are your strategies for growth?
We have a number of channels available to us:

- Organic, local growth – our strong record of growth is due largely to our engaging sales team and the backing of the Group support functions.
- Cross-selling and up-selling – as we build great relationships with clients in each country, and provide high-quality candidates who are good value for money, we will be able to extend into value-added products and services.
- Increased coverage of sectors – our international presence was founded on our Networkers Technology skills. This international coverage offers us the opportunity to introduce our Engineering sector skills where appropriate.
- Targeted acquisition – where market conditions are favourable, we will consider acquisition as a means of gaining market share in any given region.

Key Performance Indicators

Measuring our performance[1]



1 2015 results include four months trading of Networkers International plc.
2 Net Fee Income is calculated as revenue less contractor payroll costs and is disclosed as gross profit on the income statement.
3 Adjusted results excluding acquisition costs of £nil (2015: £1.7m), non-recurring costs of £2.4m (2015: £1.0m) and amortisation of acquired intangibles of £3.7m (2015: £1.7m) (see Note 24).
4 Increase in net debt due to funding of the Networkers acquisition (see Note 24).

Risk Management

Robustly managing risk

At Gattaca, we take risk management seriously. As a people business, we consider the welfare of our staff, clients and candidates to be of the utmost importance.

Our recent and forecast growth for employees, clients, candidates and regions has led us to review our legal and compliance capabilities, and we have strengthened our legal and compliance function to be in keeping with these anticipated demands.

In November 2015, we appointed Caspar Branson as Group General Counsel and Company Secretary, and he attends both Management Board and Board of Directors meetings.

More recently, a Group Head of Compliance joined us to build on our existing compliance framework, increasing efficiency, effectiveness and risk management.

Our internal resources are supported by strategic partners who are able to provide specialist advice across multiple jurisdictions.

Maintaining a high standard of corporate governance remains at the forefront of what we do. We have taken the opportunity to refresh the matters reserved for the Board, as well as update the terms of reference for each of our Board committees.

In connection with our rebrand, we have also enhanced our global IP management, protecting our brand and ensuring that Gattaca, Matchtech and Networkers are synonymous with the high-quality, value-added recruitment solutions our clients have come to expect.

Through becoming an increasingly diverse organisation, Gattaca is well-placed to continue to manage risk strongly.

Our risk model

Effective risk management

The Corporate Governance section describes in detail how the Group manages its risk via the Board, its respective sub-committees and throughout the organisation. Further details can be found on pages 26–63, together with the Board's assessment of the economic outlook following the EU membership referendum on page 3. The table below details each principal business risk, those aspects of the business that would be impacted were the risk to materialise, and how the Group mitigates it.

Financial and compliance

Financing

Failure to secure adequate financing, whether to fund expansion, trading or to finance a bad debt, would have a material effect on results. The level of contract margins, NFI conversion, contract versus permanent balance and the speed of growth, all affect the Group's ability to generate cash.

Mitigation

We maintain a strong balance sheet with low gearing. Net debt at 31 July 2016 was £25.0m, with committed banking facilities of £105m. We hold regular discussions to ensure we have our bank's backing to fund strategic plans and have procedures to check the creditworthiness of new clients with external agencies, regularly reviewing credit limits.

Compliance and regulatory obligations

Navigating the business through the large number of compliance and regulatory changes relevant to the Group's business has become more complicated. Non-compliance places financial and reputational risk upon clients and the Group.

Mitigation

The Group works closely with its in-house legal and compliance team, its financial and legal advisors and recruitment governing bodies, such as the Recruitment and Employment Confederation (REC) and the Association of Professional Staffing Companies (APSCo), to ensure that the business is up-to-date on these issues and that the appropriate systems and processes are in place.

Foreign exchange

Trading across international borders raises the risk of foreign exchange differences between trading currencies, both in terms of cash and in terms of translated results. Internationalising the business, which has been accelerated with the acquisition of Networkers, increases this risk.

Mitigation

The Group monitors exchange rates closely and manages risk as follows:

- For sales denominated in foreign currency, the Group seeks to ensure associated direct costs are denominated in the same currency.
- The Group monitors the gap in assets and liabilities denominated in foreign currencies required to be translated into Sterling at the balance sheet exchange rate. Where the risk is considered to be significant, the Group will enter into a forward exchange contract with a reputable bank.
- The Group regularly exchanges surplus foreign currency to minimise the gap in assets and liabilities denominated in foreign currency.

Market

The economic cycle

Historically, there has been a correlation between economic conditions and the level of recruitment. Slowing economic growth could impact our ability to maintain and grow NFI, either through reduced requirements for temporary staff or by encouraging clients not to hire permanent staff.

Mitigation

- 32% of the Group's NFI is now generated in overseas territories, thereby reducing the risk of reliance on any one marketplace.
- Around 74% of the Group's NFI is generated from recurring contract business across a broad range of sectors and clients, leading to more stable business streams.
- We have a robust 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.

Brexit

Implementing a negotiated Brexit agreement could affect the Group's ability to transact business in Europe.

Mitigation

Our current presence within Europe is not significant. Restrictions on cross-border movement of labour would have limited impact.

Market continued

Dependence on key clients

Too great a dependence on one or a few clients may have a material adverse effect on the Group's cash flow should the client(s) cease to procure or pay for services in a timely manner.

Mitigation

The Group has over 2,000 fee paying clients, with the largest client only representing 6% of Group NFI. The Group's public sector funded NFI is derived from many parts of the public sector, with few large concentrations of contractors working on single projects. Approximately three-quarters of this public sector funded NFI is generated with outsourced providers working on long-term contracts and ongoing infrastructure projects.

Competition

The recruitment market is highly fragmented and competition is intense, placing pressure on margin and NFI.

Mitigation

The Board and Executive regularly meet to discuss and define a clear vision of the geographies, 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.

Shortage of skilled candidates

Where a shortage of skilled resources exists within a market, increased competition can lead to lower margin business.

Mitigation

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, allows us to charge the right prices for quality service.

Strategic and operational

Attracting and retaining key personnel

Our performance, operating results and future growth depend on our ability to attract and retain talent with the appropriate level of expertise.

Mitigation

- 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 deliver the Group's strategy.
- We operate a succession planning process and have in place talent identification and development programmes.
- Our staff have access to international opportunities.

Technology systems including data security

Failure to ensure our IT systems remain up-to-date and secure could increase the risk of: security breaches and attacks; an adverse effect on the Group's operations; an inability of IT systems to support the business plan.

Mitigation

The Group is undertaking a review of its technology systems to seek the most appropriate platforms for the coming years. Over the next two years, we will carry out a programme of enhancements to improve or replace business systems, adopting modern technology platforms to ensure scalability and security.

Loss of business continuity

Operating technology services from one site can lead to a loss of business continuity.

Mitigation

The Group's business continuity strategy includes a highly resilient infrastructure within the Group's main multi-building site in Whiteley, Hampshire. This will be replicated in the main Networkers' site in Bromley, Kent.

Cyber security

We are subject to a range of regulations and contractual compliance obligations around governance and protection of various classes of data, and are susceptible to cyber attacks that could threaten the confidentiality, integrity and availability of data in our systems. A cyber security incident could also trigger a service interruption. Either of these outcomes could result in financial and reputational damage, including loss of client and candidate confidence.

Mitigation

As external threats become more sophisticated, and the potential impact of service disruption increases, we continue to address our ongoing investment in cyber security. We take a comprehensive view of cyber security and, through the use of specialist security services, have regular tests of security measures to review our resilience in light of the changes and threats we face.

Chief Financial Officer's Report

We have seen an immediate positive impact from the coming together of two highly cash-generative and culturally aligned businesses

Tony Dyer
Chief Financial Officer

A solid financial performance leaves the Group in a strong financial position with substantial investment headroom to implement our growth strategy.

The new international footprint of the business provides additional balance and resilience to the Group's business model and delivers a ready-made platform for the Group to grow NFI faster overseas which already represents 32% of the Group.

The Group has benefited from the combination of two cash generative businesses, with £15.5m of cash generated before dividends and since the year end we have extended our financing facilities with HSBC for a further four years.

Altogether, our growing financial strength has enabled us to continue our progressive dividend policy, with a proposed total dividend for the year of 23.0 pence per share (2015: 22.0 pence) up 5%.

Performance

The following results include the first full year of Networkers trading following a four month contribution in last year's results.

Revenue of £617.6m (2015: £502.3m) generated net fee income (NFI) of £73.0m (2015: £54.8m). Contract NFI of £53.9m (2015: £40.1m) was delivered at a margin of 9.0% (2015: 8.2%), and permanent recruitment fees were £19.1m (2015: £14.7m). The full year effect of Networkers higher margin business meant gross margins rose to 11.8% (2015: 10.9%).

Profits from operations of £15.1m were up 22% (2015: £12.4m). The Group benefited from a £1.0m revaluation of foreign cash and assets significantly affected by the Sterling devaluation post EU referendum leading to an increase in profits before tax of 34% to £15.1m (2015: 11.3m).

On a pro-forma underlying basis, calculated as though Networkers had been owned by the Group for the entire prior period and excluding both £2.4m (2015: £2.7m) of non-recurring costs and £3.7m (2015: £1.7m) of amortisation of acquired intangibles, profits from operations were up 1% to £21.5m (2015: £21.2m).

Profits after tax of £9.9m were up 6% with the full year effect of the Networkers acquisition impacting the Group's effective tax rate (ETR) which increased from 26.2% to 34.2%. Our overseas entities are subject to a higher average corporate tax rate than the UK standard rate and withholding taxes, which are managed through higher gross margins charged to clients, also increase the ETR.

Dividends paid

In the year, the Group paid a final dividend of 16.32 pence per share on 11 December 2015 and an interim dividend of 6.00 pence per share on 17 June 2016, totalling £6.9m.

Integration synergies

On the back of the acquisition the Group has achieved £3.1m of cost synergies, the majority of which will be realised in FY2017. A significant proportion of this has been reinvested to support future growth. Large parts of the integration are complete but we have further work in harmonising systems. We expect a final £0.5m of integration related costs in the first half of FY2017.

Financial highlights

Revenue
£617.6m
2015: £502.3m

Net fee income
£73.0m
2015: £54.8m

Profit from operations
£15.1m
2015: £12.4m

Profit before tax
£15.1m
2015: £11.3m

Cash generated before dividends[1]
£15.5m
2015: £12.5m

Dividend per share
23.0p
2015: 22.0p

1 Movement in net debt during the year excluding payment of dividends.

Chief Financial Officer's Report continued

The Group has achieved integration cost synergies of £3.1m, the majority to be realised in FY2017, much of which has been reinvested in the business to support future growth.

Committed banking facilities

£105.0m

2015: £95.0m

Net debt

£25.0m

2015: £33.6m

Cash generated before dividends

£15.5m

2015: £12.5m

Tangible and intangible assets

Capital expenditure in the year, including tangible assets and software, was £0.9m (2015: £0.9m). Tangible assets at 31 July 2016 of £1.1m (2015: £1.5m) consist of the Group's motor fleet, office equipment, leasehold improvements and computer equipment. Intangible assets at 31 July 2016 were £48.4m (2015: £52.2m).

Net assets and shares in issue

At 31 July 2016, the Group had net assets of £81.6m (2015: £76.5m) and had 31.2m fully paid ordinary shares in issue (2015: 30.9m).

Working capital, cash flow and net debt

Debtor days of the combined Group at the year end were 50 days (31 July 2015: 49).

Net debt at 31 July 2016 was £25.0m (2015: £33.6m), consisting of a working capital facility of £18.8m (2015: £9.0m), bank term loan £13.6m (2015: £28.6m), bank overdrafts £nil (2015: £nil) less cash £7.4m (2015: £4.0m).

Banking facilities

On 20 October 2016, the Group extended its financing facilities with HSBC for a further four years. The Group has facilities of £105m consisting of a £75m invoice financing facility and a £30m revolving credit facility, both committed until October 2020.

Critical accounting policies

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

Group financial risk management

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

Liquidity and interest rate risk

The Group had net debt of £25.0m at the year end, comprising £32.4m debt less £7.4m cash. 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.

Credit risk

The Group trades only with recognised, creditworthy third parties. The international aspect of the acquisition of Networkers does increase the credit risk of the Group. Receivable balances are monitored on an on-going basis with the result that the Group's Board feels that the exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 4% (2015: 3%) of total receivables balances at 31 July 2016.

Foreign currency risk

Around 32% of the Group's annualised NFI is generated in overseas 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 this risk by matching sales and direct costs in the same currency, by entering into forward exchange contracts to minimise the gap in assets and liabilities denominated in foreign currencies and by regularly exchanging surplus foreign currency to minimise the gap in assets and liabilities denominated in foreign currency.

Tony Dyer
Chief Financial Officer

Highlights

Integration synergies

On the back of the acquisition the Group has achieved £3.1m of cost synergies, the majority of which will be realised in FY2017. Large parts of the integration are complete but we have further work in harmonising systems.

Investments

We have reinvested £1.8m of these cost savings with strategic investments in bids, business development, internal recruitment, learning and development, and regional management to strengthen the business and fuel growth.

Debtor days

Group debtor days of 50 are broadly similar to the prior year (2015: 49 days).

Net debt

Net debt at the end of the year was £25.0m, down £8.6m on the prior year.

Banking facilities

On 20 October 2016, the Group extended its banking facilities with HSBC for a further four years. The £105.0m of facilities give the Group significant headroom for growth.

The Group has generated cash of £15.5m before dividends during the year, and since the year end we have extended our banking facilities with HSBC for a further four years. We have total facilities of £105.0m and net debt at 31 July 2016 was £25.0m.

Engaging with our employees is fundamental to the Group's purpose

Our approach to doing business underpins our ability to achieve our Group strategy. We operate responsibly and consider the impact on the people around us when making decisions. This approach is an essential part of how we engage our workforce and build relationships with our clients, candidates and local communities.

There are four pillars to our sustainability strategy: workforce, environment, community and marketplace.

Workforce
Engaging with our employees is fundamental to the Group's purpose. In 2016, we re-ran our employee engagement survey globally, and the results were excellent. Our engagement score was well above our benchmark comparator group.

We are passionate about encouraging a culture of personal development, supporting employees in achieving their career aims within the Group. We continue to invest in learning and development, taking on additional UK and international training staff, and running programmes in our sales academy to ensure that our high performers continue to progress.

Alongside new management and leadership development programmes, we have launched our 360 degree management review tool, which we complement with coaching programmes.

The safety of every individual is paramount. We have reviewed our safety processes and have successfully achieved an Occupational Health and Safety Management System reassessment of OHSAS 18001.

Environment
We continually reduce our environmental impact, and our environmental management system has been successfully reassessed to achieve ISO 14001.

We review our environmental objectives for effectiveness and targeted CO_2 emissions in the company car fleet through the increased uptake of hybrid vehicles.

Community
We have a tradition that encourages employees to engage with their local communities. Each of our brands has a corporate social responsibility (CSR) committee that supports community projects chosen by employees. In 2016, we raised £32k for our chosen charities.

- More than 50 employees gave up a weekend to tackle the Three Peaks Challenge.
- A team of 86 staff took part in the London JP Morgan Corporate Challenge.
- We celebrated 10 years of our partnership with Friends of PICU, who support the paediatric intensive care unit at Southampton University Hospital. We have helped to raise over £119k to support critically ill children and their families on the south coast of England.

Marketplace
Customer satisfaction is vital to a sustainable business. We take an outside-in view of our service, measuring our clients' engagement with our offering and that of our competitors. This feedback, along with consistent monitoring of external data and global trends, ensures we keep ahead of how our marketplace is changing, and the impacts this could have on the business.

This year we conducted our largest research project ever, asking our customers what they would like from a recruitment company, and how we are performing. Our brands received positive feedback, highlighting quality, tenacity and our specialist consultants as areas of strength.

We have expanded our digital team to focus on both the candidate and client journey, and we allow key members of staff time to test new tools, technology and business models to ensure our service is viable, and meets our clients' needs.

> This year Gattaca will be celebrating 10 years of supporting the Friends of PICU (the paediatric intensive care unit in Southampton) ever since the charity's inception. The money raised has provided essential equipment to the PICU and helped provide hope to families dealing with the trauma of their child being admitted to intensive care.

Mark Hilder
Secretary, Friends of PICU

Chairman's Introduction to Governance

Committed to a culture of good governance

I am pleased to present the Board's Annual Report on Corporate Governance.

This has been a key year in ensuring we continue to improve our already high standards of corporate governance, as we believe that effective corporate governance is integral to the successful delivery of our business goals. How we work is just as important as what we do. We believe Gattaca has developed a governance framework which is meaningful, relevant and focused on our business.

However, we recognise that there is always room for improvement and we therefore work with others that help us continue to improve and draw upon best practice from others in the industry.

The acquisition of Networkers International plc in April 2015, also an AIM listed business, was a major step change for the Group from operations mainly based on a single site in Hampshire to one with substantial operations both in the UK and internationally. This has cemented Matchtech's position as the UK's number one Engineering recruitment agency[1] and created the UK's fifth-largest Technology recruitment agency[1].

It has been a key objective to integrate Networkers into the Group, ensuring we combine the best practices of both businesses and enhance our overall governance framework along the way. While there is more to do, I believe we have achieved this aim, which has been assisted by the similarities in the way that both businesses were governed and managed.

As we have done since Gattaca was founded over 30 years ago, we will continue to treat all our stakeholders – candidates, contractors, clients, staff and shareholders – as we ourselves wish to be treated, honestly and openly.

We are open when things go well – as we believe they usually do – and when they go wrong, seek to resolve them promptly.

Fundamental to good governance, and the strategic direction of the Group, is ensuring that the Board has a diverse balance of skills, experience and knowledge.

The Board holds regular formal meetings in which performance and direction of the business are reviewed against the strategic plan. Senior management are invited to present, where they are also able to discuss with Board members their opportunities and challenges.

Annually, the Board meets to review progress against the Group strategy and formulate an extension to that plan.

I am confident the Group will continue to prosper under a framework appropriate for a listed international business.

Patrick Shanley
Non-Executive Chairman
3 November 2016

1 Source: 2015 Recruitment International Top 500 Report.

Board of Directors

The right mix of skills and experience

Patrick Shanley
Non-Executive Chairman

Appointment
Group and Board: December 2015

Skills and experience
Patrick has extensive boardroom experience and is currently Chairman of chemicals business, Accsys Technologies. Patrick has previously been CFO of Courtaulds 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.

Brian Wilkinson
Chief Executive Officer

Appointment
Group and Board: December 2013

Skills and experience
Brian joined the company in December 2013. He has worked in the recruitment industry for over 30 years, most recently as an executive board member of Randstad Holdings NV ('Randstad'), the world's second-largest recruitment company. He has extensive experience of international strategic development, including through merger and acquisition, and extensive experience of professional services recruitment.

Tony Dyer
Chief Financial Officer

Appointment
Group: January 1996; Board: August 2004

Skills and experience
Tony is a fellow of the Chartered Institute of Management Accountants. Qualifying in 1995, he was appointed to the Board in 2004. Tony was instrumental in taking the Group through its successful IPO in 2006 and the acquisition of Networkers. Tony has been involved with CIMA for several years serving as both branch president and Chair of the Regional Board. He recently completed a strategic finance leadership programme at Stanford University.

Keith Lewis
Chief Operating Officer

Appointment
Group: July 1993; Board: September 2012

Skills and experience
Keith is a fellow of the Institute of Recruitment Professionals, joined us in 1993 as a senior consultant, before progressing to his current position. Keith is also on the steering committee for the Engineering and Technical sector at the Recruitment and Employment Confederation.

George Materna
Non-Executive Deputy Chairman

Appointment
Group and Board: July 1984

Skills and experience
George has 40 years' experience in the recruitment industry and is the founder of the Group, having founded Matchmaker Personnel in 1984 and Matchtech Engineering in 1990, before combining the two businesses in 2002 to form Matchtech Group plc. George is a fellow of both the Institute of Recruitment Professionals and the Chartered Institute of Personnel and Development.

Chairman of the Nominations Committee

Ric Piper
Senior Non-Executive Director

Appointment
Group and Board: July 2006

Skills and experience
Ric read Economics at Cambridge University and qualified as a chartered accountant in 1977. He held senior finance roles in ICI, Citicorp, Logica and WS Atkins. He was Group Finance Director of WS Atkins from 1993 to 2002. Since 2003, he has operated at Board level and has advised on the growth and development of main market, AIM and privately owned companies. Ric is a partner at Restoration Partners and is a member of the Financial Reporting Review Panel.

Chairman of the Audit Committee.

Richard Bradford
Non-Executive Director

Appointment
Group and Board: August 2011

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

Member of the Nominations and Audit Committees

Rudi Kindts
Non-Executive Director

Appointment
Group and Board: March 2012

Skills and experience
Rudi is a Belgian national with 25 years' experience in transnational human resources management. He developed his executive career with Alcatel and British American Tobacco, being appointed Group HR Director of the FTSE 10 company in 2004, and left in 2011. Rudi is the co-founder of TheCoachingHouse and is currently a senior executive mentor with Merryck&Co.

Interim Chairman of the Remuneration Committee and member of the Nominations Committee

Roger Goodman
Non-Executive Director

Appointment
Group and Board: April 2015

Skills and experience
Roger is the former Chairman of Networkers International plc and is currently Chairman of Apogee Corporation and a non-executive director of another private company. He was previously a Director of Asset Skills, one of the sector skills councils and was an executive director of MITIE Group plc from which he retired in 2012.

Member of the Remuneration Committee

Directors' Report

Principal activities and business review
Gattaca plc is the ultimate holding company of a group of companies.

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

A list of principal subsidiary undertakings, and the countries in which they operate, is disclosed in Note 13 to the Financial Statements. Details on the use of financial instruments and financial risk management are included in Note 22 to the Financial Statements and are also incorporated into this report by reference.

Directors
The Directors who served during the period up to the date of this report and their biographical details are set out on pages 28 and 29. Directors' interests in shares and share options of the Company are shown in the Directors' Remuneration Report.

Under the Company's Articles of Association, all Directors must retire at the first Annual General Meeting (AGM) following their appointment and may offer themselves for election by shareholders.

In line with the requirements of the UK Corporate Governance Code, certain elements of which the Company has voluntarily chosen to comply with, all other Directors will retire at the AGM and, being eligible, will offer themselves for re-election.

The Board considers that the performance of each of the Directors continues to be effective and that each of them demonstrates a strong commitment to their role.

Directors and Officers of the Company and its subsidiaries benefit from Directors' and Officers' liability insurance cover in respect of legal actions brought against them. In addition, Directors of the Company are indemnified in accordance with Article 170 of the Company's Articles of Association to the maximum extent permitted by law. 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.

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

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

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

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

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

Details of the main committees of the Board and their activities are contained in the Corporate Governance Report.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

Corporate governance
The corporate governance statement is incorporated into this report by reference.

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

Shareholder	%
George Materna	25.3
Octopus Investments Limited	9.7
AXA Framlington	7.5
Paul Raine	6.0
Chelverton Asset Management	4.5

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

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

Bribery
The Group's Board has made a commitment to carry out business fairly, honestly and openly, and has also demonstrated a commitment of zero tolerance towards bribery. A copy of our 'High Level Commitment Statement' is available on our website, www.gattacaplc.com.

Environment
The Group remains committed to operating in an environmentally responsible manner, and is accredited to the environmental standard ISO 14001:2004. The Directors consider the impact on the environment in making decisions.

The community, including charitable and political donations
The Group is committed to providing support to the community through a number of charitable activities. During the year the Group made charitable donations of £23,000 (2015: £12,000).

The Directors consider the impact on the community when making decisions.

The Group made no donations for political purposes either in the UK or overseas during the year (2015: £nil).

Employees
The Board recognises that the Group's employees are vitally important to the continued success of the business. Employees are encouraged to develop their careers, including through training.

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

The Group has continued its policy of informing all employees of matters of concern to them as employees, both in their immediate work situation and in the wider context of the Group's wellbeing.

Communication with employees is effected through the Board, the Group's management briefings structure, formal and informal meetings, and through the Group's information systems.

The Group has a culture that encourages share participation at all levels. At 31 July 2016, approximately 29% of the Company's share capital is held by Directors, senior management and other employees.

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

The LTIP cascades through the organisation, with approximately 35% of staff eligible to participate. The SIP is open to all staff.

The Group also has a number of share options yet to be exercised from its enterprise management incentive (EMI) scheme.

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

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group Financial Statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements on the same basis.

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 Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Health and safety

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

Quality

The Group is ISO 9001:2000 accredited. As one of the UK's leading specialist recruitment agencies, the Group is dedicated to quality and professionalism in the pursuit of achieving customer satisfaction and commercial goals.

In order to ensure that these key objectives are achieved, the Company has, in compliance with ISO 9001:2000, implemented a quality management system suitable to the needs, size and complexity of the operation. Commitment to, and compliance with, this quality management system is mandatory for all Group employees.

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

Business continuity

The Group is BS25999 accredited, has a robust business continuity strategy and has built a highly resilient infrastructure. It has a disaster recovery facility to which our staff would relocate in the event of a major disaster.

Disclosure of audit information

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

Going concern

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

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

The process followed by the Group in the preparation of the Viability Statement is set out on page 33.

Viability statement

In accordance with the provisions of the UK Corporate Governance Code 2014, 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 2019.

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: (i) the Group's considerable financial resources including the high cash generation of its operations; (ii) the inherent unlikelihood of all or even most of the identified potential principal risks materialising simultaneously; (iii) the length of major operating contracts; and (iv) 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 18 and 19. In addition, Note 22 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 geographic 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.

Auditors

The Board has decided to propose the reappointment of KPMG LLP as auditors and a resolution concerning their reappointment will be proposed at the forthcoming AGM.

Registered office

1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire PO15 7AF.
Registered number: 04426322

Approved by the Board and signed on its behalf by:

Tony Dyer
Chief Financial Officer
3 November 2016

Cautionary statement

Under the Companies Acts 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.

Corporate Governance Statement

Matters reserved for the Board

Matters reserved for the Board include:

- 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;
- 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;
- 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; and
- major investments including: the acquisition or disposal of disclosable interests in the share capital of any company, or the making of any disclosable takeover offer, or the acquisition or disposal of any interest in the share capital of any company.

Leadership

The role of the Board
Led by Patrick Shanley, Non-Executive Chairman, the Board is responsible for the Group's overall direction and management, and for the establishment and maintenance of a framework of delegated authorities and controls which ensure the efficient and effective management of the Group's operations.

Division of responsibilities of the Chairman and Chief Executive
There is a clear division of responsibilities between the Chairman and the Chief Executive. Each role has its own formal written description of specific responsibilities.

The Chairman's principal responsibility is to lead the Board in the determination of its strategy and the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness by facilitating full and constructive contributions to the development and determination of the Group's strategy and its overall commercial objectives from each member of the Board. The Chairman is responsible for promoting the highest standards of integrity, probity and corporate governance throughout the Group. The Chairman manages the relationship with shareholders in relation to governance matters and regularly considers the composition and skill set of the Board through evaluation.

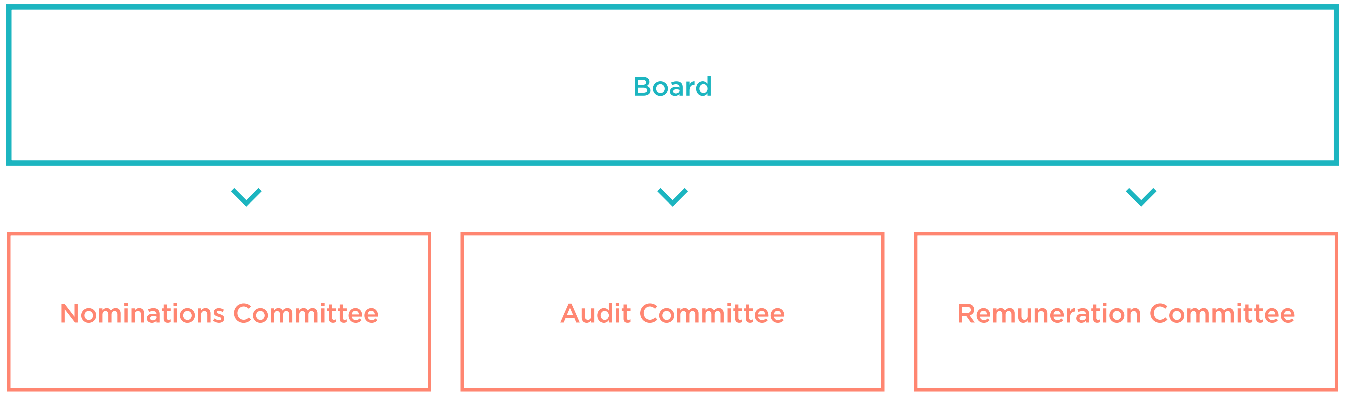
The Chief Executive is directly responsible for all executive management matters affecting the Group. His principal responsibility is ensuring achievement of the agreed strategic objectives and leadership of the business on a day-to-day basis. He is accountable to the Board for the financial and operational performance of the Group.

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

	Maximum Meetings	Meetings Attended
Patrick Shanley[1]	7	7
Brian Wilkinson	13	13
Tony Dyer	13	13
Keith Lewis	13	11
George Materna	13	12
Ric Piper	13	12
Rudi Kindts	13	11
Richard Bradford	13	12
Roger Goodman	13	10

1 Appointed to Board 2 December 2015.

Board structure



The role of Non-Executive Directors
The Non-Executive Directors have letters of appointment stating their annual fee, that their re-election is subject to shareholder approval at each AGM, and that their appointment is subject to satisfactory performance. Their appointment may be terminated with a maximum of six months' written notice at any time.

Copies of the letters of appointment will be available for inspection prior to and during the AGM, and are also available for inspection at the Group's registered office during normal business hours.

The remuneration of the Chairman and the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association, and taking into account the level of fees paid by comparator companies.

The Chairman and the Non-Executive Directors do not participate in any meeting at which discussions of matters relating to their own position take place.

Committees of the Board
The Board has three established committees for audit, nominations and remuneration. The committees have terms of reference which are reviewed at least biannually by the Board, and revised as deemed necessary and appropriate.

The terms of reference of all three committees were reviewed during the 12 months prior to the date of this report. Copies of the terms of reference are available on the Group's website www.gattacaplc.com and on request from the Company Secretary.

Following formal decision making, the Board may, on occasion, delegate authority to a standing committee consisting of any two Directors to facilitate final sign off for an agreed course of action within strict parameters.

The responsibilities and operation of the Audit, Nominations and Remuneration committees are set out in the following sections.

Role of the Company Secretary
The Company Secretary advises the Board through the Chairman on all governance matters.

All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties. In accordance with the Company's Articles of Association and the schedule of matters reserved for the Board, the appointment and removal of the Company Secretary is a matter for the whole Board.

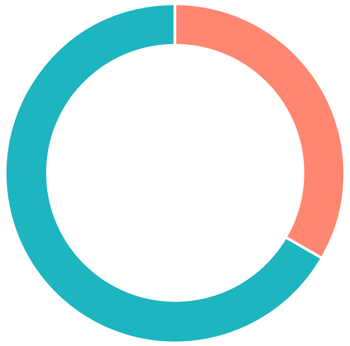
Effectiveness

Composition and independence of the Board
The Board recognises that the composition of the Board needs to be kept under regular review, with proposals coming from the Nominations Committee for the Board's consideration.

At the date of this report the Board has four Independent Non-Executive Directors (two directors, George Materna and Ric Piper, are not considered independent given their length of tenure being greater than 10 years and George Materna's shareholdings exceeding 3% of the Company's ordinary share capital). The Board considers the independence of the Independent Non-Executive Directors annually against the criteria set out in the UK Governance Code with each being determined as independent of management, having no business or other relationship that could interfere materially with the exercise of their judgement.

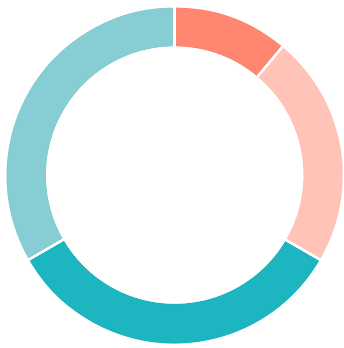
The Board is satisfied with the current balance between Executive and Non-Executive Directors, which allows it to exercise objectivity in decision making and proper control of the Group's business.

Board composition



Executive	3
Non-Executive	6

Length of tenure of Directors



<1 year	1
1-3 years	2
3-6 years	3
>6 years	3

Board diversity
The Board recognises diversity as an important element in ensuring the Board has the necessary skills and experience to facilitate the Group's continued development and that it is well placed to continue to provide effective leadership.

Further information is given in the Nominations Committee's Report on page 42.

Re-election of Directors
Under the Company's Articles of Association, all Directors must retire at the first Annual General Meeting (AGM) following their appointment and may offer themselves for election by shareholders.

In line with best practice of the UK Corporate Governance Code, certain elements of which the Company has voluntarily chosen to comply with, all Directors will retire at the AGM and, being eligible, will offer themselves for re-election.

Conflicts of interest
There is a process by which Directors have to notify the Board of any conflicts of interest. There have been no conflicts of interest notified in the year.

Board evaluation
The Board is committed to ensuring its effectiveness.

The Chairman and the Non-Executive Directors meet without the Executive Directors present at least once a year.

In the context of the change of Chairman during the year, performance assessments with each Director were not undertaken this year.

The Board is satisfied with the performance of each individual Board member and the Board as a whole.

Corporate policies
The Board has a range of policies for the Group to comply with which it constantly monitors, including policies ensuring compliance with the law, fair treatment and corporate social responsibility.

Indemnification of Directors
Qualifying third party indemnity provisions, as defined in section 234 of the Companies Act 2006, are in force for the benefit of Directors who held office during the year. The Company maintains Directors and Officers' liability insurance for the Group's Directors and Officers.

Internal control
The Board is responsible for reviewing and approving the Group's governance framework and ensuring its adequacy and effectiveness. Internal controls, which include financial, operational, compliance and risk management systems, are central to this framework:

- The system of internal financial and operational controls is designed to meet the Group's particular needs and aims, to facilitate efficient and effective operations, to safeguard the Group's assets, to ensure proper accounting records are maintained, and to ensure that the financial information used within the business and for publication is reliable.
- Such a system of internal control can only be designed to manage, rather than eliminate risk of failure to achieve business objectives, and provide reasonable, but not absolute, assurance against material misstatement and loss.
- The Board confirms that there is a continuing process for identifying, evaluating and managing the risks faced by the Group, with further improvements planned for the current financial year.
- The Audit Committee agrees an annual plan of internal audit activities, including from third parties, and reviews audit findings and subsequent management implementation.
- A separate report, Principal Risks and Uncertainties, is on pages 18 and 19.
- The Board's statements and actions emphasise a culture of openness, integrity, competence, fairness and responsibility.
- The Board focuses mainly on strategic issues, senior management and financial performance. The Group Executive concentrates on operational performance, operational decision making and the formulation of strategic proposals to the Board.
- The Board determines how the Chief Executive Officer operates within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size or type, are undertaken only after Board review.

Risk management policy
The Group has an overall risk management policy in place, which has been communicated to all staff and is continually accessible.

Financial reporting
The Board approves a business plan and annual budgets for individual business units and the Group. The financial performance of individual business units is reported regularly. We report to our shareholders on a half-yearly basis. Forecasts for the Group are updated and reviewed by the Board regularly.

Independent external audit
Information is provided in the Audit Committee's Report on pages 38-41.

Relations with shareholders
The Board regards effective communication with shareholders as crucial.

Relations with shareholders are managed principally by the Chief Executive Officer and Chief Financial Officer. Meetings are held regularly throughout the year with institutional investors, fund managers and analysts.

The Chairman and other Non-Executive Directors make themselves available for meetings with major shareholders. This provides shareholders with the opportunity to take up with these individuals any issue they feel unable to raise with the Chief Executive Officer or Chief Financial Officer.

The Group's shareholders are invited to attend the AGM at which all Directors are present.

The Non-Executive Directors are also kept informed of the views of shareholders, with the Executive Directors providing updates on investor meetings. Additionally, the Group's broker provides briefings to the Board on shareholder opinions and compiles independent feedback from investor meetings.

The Group's website contains information on current business activities, including the annual and half-year results presentations.

Audit Committee

"

The year has been dominated by the acquisition of Networkers International plc. The integration with the Matchtech business is now essentially complete.

I am pleased to present the Audit Committee's Annual Report on its activities for the year ended 31 July 2016.

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.

The year has been dominated by the acquisition of Networkers International plc ('Networkers') in April 2015. The integration with the Matchtech business is now essentially complete.

From a 'business as usual' perspective, there is nothing to bring to your specific attention.

The Committee considers that it has delivered what it set out to do and has a clear plan for 2016/17, including for an enhanced internal audit to reflect that, following the acquisition of Networkers, some 20% of the Group's NFI arose from non-UK operations in 2015/16 (2% in 2013/14, being the last financial year before the acquisition of Networkers).

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 Audit 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
The Audit Committee currently comprises Ric Piper (a member and chairman since 2006) and Richard Bradford (who became a member in March 2015).

Ric Piper qualified as a Chartered Accountant in 1977 and is a current member of the Financial Reporting Review Panel (FRRP). 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 six times during the year.

	Maximum Meetings	Meetings Attended
Ric Piper	6	6
Richard Bradford	6	5

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 year, the Committee met privately with the independent auditor. The Committee Chairman also met privately with the senior statutory auditor (Steve Masters) and his predecessor (William Smith) outside of the Committee meetings.

Operation of the Committee
The Committee's Terms of Reference were reviewed and updated in June 2016 to conform to best practice and approved by the Board. No significant changes were deemed necessary, save that the minimum membership of the Committee was increased from two to three. Accordingly, an additional member will be appointed by the Board in due course. They are available on the Group's website www.gattacaplc.com, as well as in hard copy format from the Company Secretary.

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

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

The main activities of the Committee during the year were as follows:

- Financial Statements: the Committee reviewed the Interim and Annual Report. Presentations were made by management and the auditor 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 74. Management produces working capital forecasts on a regular basis, together with half-yearly covenant forecasts. The forecasts are reviewed by the Board, 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, for the first time, the viability statement on page 33.
- Taxation: the Group operates under multiple and varied tax regimes. The completeness and valuation of provisions to cover the range of potential final determinations by the tax authorities of the Group's tax positions are the subject of judgement. Further information is set out in Notes 1xii, 9 and 14 to the Financial Statements. The provisions held by the Group were reviewed by management as at 31 July 2016. The Committee agreed with management's assessment of the Group's tax provisions.
- 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 Report.

- Internal Audit: during the year, the Group undertook a number of internal audit reviews, both of financial and operational activities. As part of the Committee's policy, certain specialist internal audit work was undertaken by external organisations. Further to the acquisition of Networkers in April 2015, the Committee and the Board considered how best to deploy internal audit across a Group which has significantly extended its operations from a single site in Whiteley, Hampshire to a business with substantial operations in London and in 10 international locations. As the Group further develops its global compliance and risk management frameworks (see Robustly managing risk on page 17) during 2016/17, the portfolio of internal audit reviews will expand beyond the current and continuing financial and operational reviews. We will continue to use specialist external organisations as necessary.

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 addressed it
Revenue recognition and recoverability of accounts receivables	The Group has well-developed accounting policies for revenue recognition – see Note 1 to the Financial Statements. The Committee receives reports from management and from the independent auditors to ensure that the policies are complied with across the Group. The Board receives regular reports on the collectability of aged accounts receivables. On the basis of these reports, the Committee concluded that it was content with the judgments that had been made.
Goodwill and intangibles: assessment for impairment	As set out in Notes 1 (part ix and xxii) and 11 to the Financial Statements, following the acquisition of Networkers in April 2015, the Group has significant goodwill and amortised intangibles. Goodwill and intangibles impairment calculations (including assumptions about future performance) and sensitivities, are undertaken at least annually by management and reviewed by the Board and the Committee. Based on the calculations as at 31 July 2016, the Committee agreed with management's recommendation that no impairment charge should be made.

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

Shareholders' attention is drawn to the section titled "Scope and responsibilities" in the Report from the Independent Auditors on page 68, about specific areas as reported by the Independent Auditors in order to provide their opinion on the Financial Statements as a whole.

Independent auditor: reappointment and audit tender policy
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, ISA (UK and Ireland), issued by the Auditing Practices Board.

Following a competitive tender, the Audit Committee proposed, and the Board approved, the appointment of KPMG as the Company's registered independent public accounting firm commencing with audit work for the year ended 31 July 2011.

There are no contractual obligations that act to restrict the Committee's choice of external auditor. In December 2015, the Board proposed, and shareholders approved, the appointment of KPMG as the Company's registered independent public accounting firm for the financial year ended 31 July 2016.

On KPMG's appointment, William Smith became the Company's senior statutory auditor for the year ended 31 July 2011. In compliance with KPMG's policies, Mr Smith's fifth and final year as the Company's senior statutory auditor was for the year ended 31 July 2015 and he stepped down at the conclusion of the AGM in December 2015.

Following a review by the Committee, the Board accepted the Committee's proposal that Steve Masters be appointed the Company's senior statutory auditor for the year ended 31 July 2016.

As noted in last year's report, during 2015, the Financial Reporting Council (FRC) undertook a review of certain aspects of KPMG's audit of the Company. We have discussed the review and its findings with KPMG. We noted two specific issues were raised by the FRC in their final report and are satisfied that KPMG have implemented the responses they gave to the FRC.

In the context of developing best practice, the Committee has kept under review its recommendations to the Board concerning the Company's audit tender policy.

This year, having considered the effectiveness and performance of the independent auditor, the Committee has recommended to the Board the reappointment of KPMG LLP as independent auditor of the Company for the next financial year.

Independent auditor: services, independence and fees
The independent auditor provides the following services:

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

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

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

Further, the Committee seeks positive evidence of the independence of the independent auditor through 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 3 to the Financial Statements. The Committee concluded that the level of non-audit fees, which represent 18% (2015: 47%) of the audit fees for the Group, did not have a negative impact on KPMG's independence.

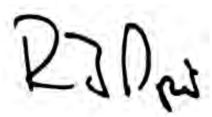
The Committee will continue to keep the area of non-audit work under close review, particularly in the context of developing best practice on auditors' independence.

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 their objectivity and independence. These include the periodic rotation of the senior statutory partner (as noted above, the partner rotated at the conclusion of the AGM in December 2015), use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff.

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

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

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



Ric Piper
Chairman of the Audit Committee
3 November 2016

"The Committee has identified a requirement for a Non-Executive Director with technology and digitalisation experience.

Nominations Committee

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

Following the acquisition of Networkers in April 2015 and the arrival of Patrick Shanley as Non-Executive Chairman at the AGM on 2 December 2015, we have used the collective experience of incumbent Board members to provide a period of stability.

No changes to Board members have been made.

A Nominations Committee gap analysis review, in conjunction with Patrick Shanley, identified a requirement for an extra Non-Executive Director with technology and digitalisation experience.

The Inzito Partnership has again been enlisted to provide independent advice.

We hope to be in a position to report on progress at the AGM on 7 December 2016.

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 of the Company's website, www.gattacaplc.com.

In summary, the role of the Nominations Committee is to:

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

Composition

The Committee comprises its Chairman, George Materna, and Rudi Kindts and Richard Bradford, both Independent Non-Executive Directors, who have been members of the Committee since 2006, 2013 and 2013 respectively.

Meetings and attendance

The Committee met twice during the year.

	Maximum Meetings	Meetings Attended
George Materna	2	2
Rudi Kindts	2	2
Richard Bradford	2	2

Nominations Committee activities

The key activities during the year have been reviewing the composition and required experience of the Board and its committees.

No changes to the Board or committees have been made during the year.

Succession planning

In the coming year, the Committee will continue to monitor the composition and effectiveness of the Board and committees of the company, and keep abreast of developments in corporate governance to ensure that we act in the spirit of good governance practice.

Diversity policy

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

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

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

Information and training

All Directors have access to the advice and services of Caspar Branson, 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
3 November 2016

"Over the past couple of years, the business has undergone significant transformation in terms of size, complexity and international footprint.

Remuneration Committee

On behalf of the Board, I am pleased to present the Remuneration Committee's (the 'Committee') report for the year ended 31 July 2016.

This has been an important year for the Committee, involving a full review of our remuneration strategy for Executive Directors and senior staff. An overview of the proposed changes arising from this review is set out below, and is followed by the Directors' Remuneration Policy ('Policy') and the Annual Report on Remuneration.

Committee's review of policy in 2016
In 2011, we implemented a one-off incentive arrangement known as the value creation plan (VCP) and autumn 2016 marks the fifth and final measurement for the VCP. In addition, the long-term incentive plan, that was introduced in 2006 at the Company's initial public offering (IPO), expires in 2016.

In this context, the Committee undertook a detailed review of the policy for the Directors and concluded that a new policy and long-term incentive plan is required for the 2017 financial year and beyond.

Over the past couple of years, the business has undergone significant transformation in terms of size, complexity and international footprint.

We remain committed to our strategy of being the leading specialist Engineering and Technology recruitment group. In this context and given evolving practices in the executive pay environment, the Committee's review of the current policy concluded that a new policy is required that will serve 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.

Overall, the new policy has been constructed such that the Executive Directors will be appropriately rewarded if value is delivered for shareholders and pay-outs will be limited if Company performance is below expectations. Our new policy is set out in full on pages 46-54 of this report, but the key changes to policy include:

- Reduction of the maximum annual bonus opportunity from 140% of salary to 120% of salary for each Executive Director. Any bonus earned above 100% of salary for the Executive Directors will be deferred into shares for a two-year period.
- Introduction of a new long-term incentive arrangement, to be known as the Gattaca plc long-term incentive plan (the LTIP). The new LTIP will replace the VCP, following the last measurement date, and the current LTIP arrangement that expires in 2016 following its adoption at IPO in 2006.
- Executive Directors and other employees may be eligible to receive annual LTIP awards up to a maximum of 150% of salary.
- LTIP awards granted to the Executive Directors will vest based on performance against stretching performance targets, namely (i) growth in adjusted earnings per share (EPS) and (ii) relative total shareholder return (TSR), measured over a three-year performance period. There will be a two-year holding period post a three-year vesting period for vested LTIP awards.
- Introduction of share ownership guidelines of 200% of base salary for all Executive Directors.

The Committee believes that the new, simplified remuneration structure will support and motivate our Executive Directors in furthering the Group's long-term strategic objectives, including the creation of sustainable shareholder returns.

Business context and remuneration outcomes for 2016
The Group's acquisition of Networkers in April 2015 has impacted the overall statutory results, with NFI up 33% and profit before tax up 34%. However on a pro-forma underlying basis, NFI was broadly the same as the prior year and profit before tax was up 4%.

2016 AGM
Although the Directors are not required to provide all the information detailed in this report by the AIM Listing Rules, we have chosen to do so in accordance with best practice and in order to provide greater transparency to shareholders. In doing so, we have prepared the report with reference to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013' (the 'Regulations').

This report will be put forward to shareholders on an advisory basis at our AGM on 7 December 2016.

We will also be seeking formal shareholder approval for the new LTIP at the AGM. In addition, we operate share arrangements to incentivise employees across the Group in order to enhance shareholder value and to allow employees the opportunity to become shareholders in the Company. The all-employee UK share incentive plan is also due to expire, therefore we are seeking shareholder approval at the 2016 AGM for a new scheme which has similar terms.

My goal has been to be thoughtful and clear in the layout of the Directors' Remuneration Report. We are committed to hearing, and take an active interest in, your views as shareholders. If you would like to discuss any further aspect of our remuneration strategy, I would welcome your views (Rudi.Kindts@gattacaplc.com).

On behalf of the Committee and Board,

Rudi Kindts
Chairman of the Remuneration Committee
3 November 2016

Directors' Remuneration Policy

This section of the report contains details of the policy that will govern the Company's future remuneration payments and that took effect from 1 August 2016. The Committee has established the Policy on the remuneration of the Executive Directors and the Chairman. The Board has established the Policy on the remuneration of the other Non-Executive Directors. Awards granted under the previous Directors' remuneration policy will be honoured.

1. Executive Director remuneration policy

Executive Directors' remuneration policy table

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Base salary			
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: › the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity; › the performance of the Group in the financial year just ended; › the performance of the individual Executive Director; › the individual Executive Director's experience and responsibilities; › any pay conditions (such as pay hold) made at the start of the financial year just ended; › pay and conditions throughout the Group, including the level of salary increases awarded to other employees.	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.
Benefits			
To provide competitive benefits and to attract and retain high-calibre employees.	Reviewed periodically to ensure benefits remain market competitive. Benefits currently include: › proactive health plan; › car benefit; and › insured benefit schemes. Other benefits may be provided from time to time.	Benefit values vary year-on-year depending on premiums and the maximum potential value is the cost of the provision of these benefits. The Group conducts regular brokering exercises to ensure premiums remain competitive.	No performance or recovery provisions applicable.

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Pension			
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.	The maximum contribution to a company or personal pension scheme or cash in lieu is equal to 10% of salary.	No performance or recovery provisions applicable.
Annual bonus			
Incentivises achievement of annual objectives which support the Group's short-term performance goals.	Bonus awards are granted annually following the signing of the Report and Accounts. Performance period is one financial year with pay-out determined by Committee following the year end, based on achievement against a range of performance measures. Malus and clawback provisions apply at the discretion of the Committee in exceptional circumstances.	Maximum awards under the annual bonus are equal to 120% of salary. Any bonus payable above 100% of salary will be deferred into shares for a two-year vesting period.	Performance targets will be set by the Committee annually based on a range of financial measures. It is intended that two financial performance measures will be used for the annual bonus awards, being (i) PBT and (ii) NFI. Other non-financial measures may be introduced where these are appropriate but will not exceed 25% of the maximum bonus. The Committee has the discretion to: › adjust targets or performance measures for any exceptional events that may occur during the year; and › make downward or upward movements to the amount of bonus earned resulting from the application of the performance measures, if the Committee believes that the bonus outcomes are not a fair and accurate reflection of business performance. 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.

1. Executive Director remuneration policy continued

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
LTIP			
The long-term incentive plan (LTIP) incentivises Executives to achieve superior returns to shareholders over a three-year period, to retain key individuals and align their interests with shareholders.	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. LTIP awards under the plan will vest after a three-year performance period subject to the achievement of the performance measures. There will be a two-year holding period for any vested awards (net of any income tax and national insurance contributions paid on exercise) after the three-year vesting period for awards granted to the Executive Directors. Malus and clawback provisions apply at the discretion of Committee in exceptional circumstances.	Maximum LTIP awards are equal to 150% of base salary.	Awards vest based on performance against challenging targets, aligned with the delivery of the Group's long-term strategy. Adjusted EPS and relative total shareholder return (TSR) measures will determine the vesting of awards granted in any year (50% weighting for each measure). 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 out-performance of the threshold. The Committee has the discretion to: › adjust targets or performance measures for any exceptional events that may occur during the vesting period; and › 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. 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. The Committee will typically use the three month period prior to the grant date to measure TSR performance. Any revisions to the metrics and/or weightings will only take place if it is necessary as a result of developments in the Group's strategy.

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
All-employee incentives			
Encourage all employees to become shareholders.	Eligible employees may participate in the share incentive plan. Executive Directors will be entitled to participate on the same terms.	Maximum participation levels for all staff, including Executive Directors, are set by relevant UK legislation or other relevant legislation.	Not applicable.
Share ownership guidelines			
To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.	The Executive Directors are encouraged to build or maintain (as relevant) a minimum shareholding in the Company. Shares included in this calculation are those held beneficially by the Executive Director and their spouse/life partner.	The shareholding ownership guideline is 200% of salary for Executive Directors.	Not applicable.

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.

Discretion within the Directors' remuneration policy
The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules.

Legacy awards
The Committee reserves the right to honour any remuneration payments or awards, notwithstanding that they are not in line with the policy set out above, where the terms of the payment or award were agreed before the new policy came into effect. Such payments or awards will be set out in the Annual Report on Remuneration for the relevant year.

Performance measures and targets
The table below sets out the rationale for performance measures chosen in respect of the annual bonus and LTIP.

Element	Performance measures	Rationale	How targets are set
Annual bonus	Financial targets govern the bonus payments and typically include PBT and NFI.	The Committee selected the financial measures on the basis that they are the two key performance indicators over the short term.	The performance targets are determined annually by the Committee taking into account market conditions and internal and external forecasts.
LTIP	EPS and relative TSR.	EPS is considered to be an appropriate measure for aligning the interests of the Executive Directors with those of shareholders and is also an established measure of Gattaca's long-term sustainable profitability. The use of a relative TSR measure will ensure that the Executives' interests are aligned with investors and that maximum vesting will only occur if stretching levels of returns are achieved.	EPS targets are set in reference to the Company's business plan, market conditions and consideration is also given to external forecasts. Relative TSR targets are determined taking into account the comparative market returns and the expected level of returns for Gattaca shareholders.

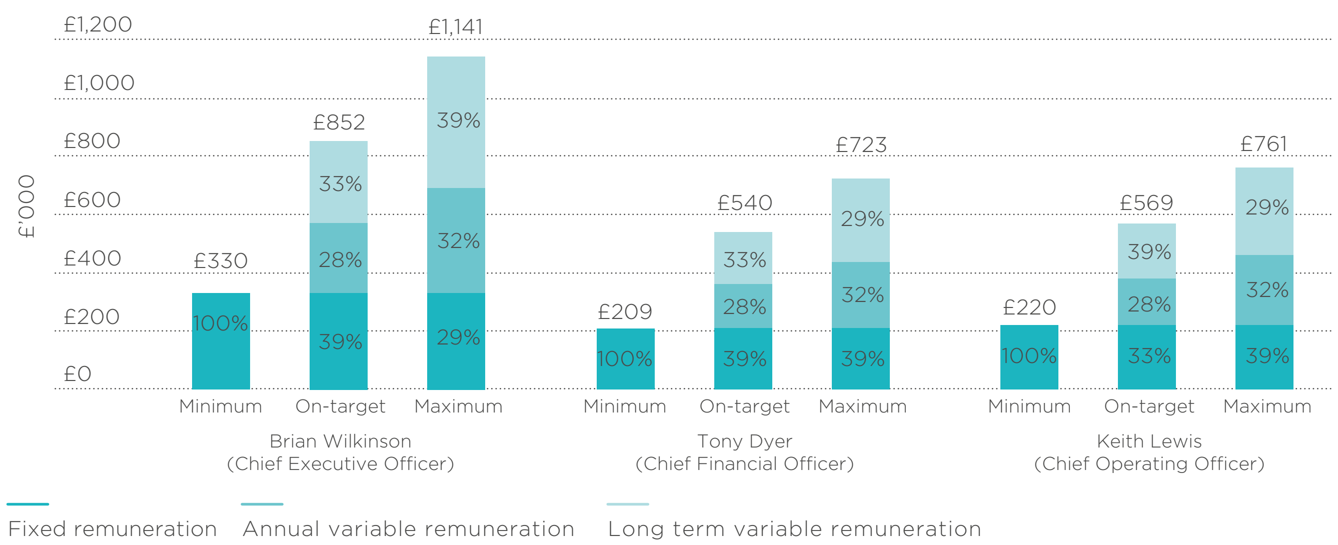
Remuneration Committee's Report continued

1. Executive Director remuneration policy continued

The Committee is of the opinion that disclosing precise targets for the annual bonus in advance would not be in shareholders' interests. Except in circumstances where elements remain commercially sensitive, actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs. LTIP targets will, where possible, be disclosed prospectively to shareholders in the Annual Report on Remuneration each year.

2. Illustrations of application of remuneration policy

The charts below seek to demonstrate how pay varies with performance for the Executive Directors based on the stated policy. The chart shows an estimate of the remuneration that could be received by Executive Directors under the policy set out in this report. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the LTIP. The charts indicate that a significant proportion of both target and maximum pay is performance related.



Assumptions used in determining the level of pay-out under given scenarios are as follows:

Element	Minimum	Target	Maximum
Fixed elements	Base salary at 1 August 2016.		
	Pension 10% of salary and estimated value of benefits provided under the policy.		
Annual bonus	Nil	66.7% of maximum	100% of maximum
LTIP	Nil	62.5% of maximum	100% of maximum

Notes
1 No allowance has been made for share price appreciation in line with the Regulations.
2 On-target LTIP represents the mid-point of the vesting scale, where 25% vests for threshold performance and 100% vests for maximum.
3 Participation in the SIP has been excluded given the relative size of the opportunity levels.

3. Approach to recruitment and promotions

The Company will pay levels of remuneration to new Executive Directors such that it can attract appropriately skilled and experienced individuals, whilst not, in the opinion of the Committee, being excessive. Where an existing employee is promoted to the Board, the policy set out above will apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual Report on Remuneration.

Base salary levels will take into account the individual's experience, market data for the relevant role, internal relativities, and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time, subject to performance in the role. Benefits and pension will be in accordance with the policy.

New appointments may also participate in the annual bonus plan and LTIP in line with the limits set out under the policy for Executive Directors. The maximum variable pay that may be provided by the Committee under policy in the year of recruitment is 270% of salary (i.e. annual bonus and LTIP maximums).

The Committee does not have an automatic policy to buy out subsisting incentives granted by an Executive's previous employer and which would be forfeited on cessation. However, should the Committee determine that it is appropriate to do so, the Committee may consider buying out incentive awards which an individual would forfeit upon leaving their employer although any compensation would, where possible, be consistent with respect to currency (i.e. cash for cash, equity for equity), vesting periods (i.e. there would be no acceleration of payments), expected values and the use of performance targets. The Committee may grant up to the same expected values where possible under the Company's incentive plans, subject to the annual limits under these plans. It does, however, retain the discretion to provide the expected value under specific arrangements in relation to the recruitment of the particular individual.

Where the new executive is relocated from one work location to another, the Company will provide compensation to reflect the cost of relocation in cases where they are expected to spend significant time away from their home location in accordance with the Company's normal relocation package for employees. The level of the relocation package will be assessed on a case-by-case basis but may take into consideration any cost of living differences; housing allowance; and schooling in accordance with the Company's normal relocation package for employees.

4. Executive Director service contracts and payment for loss of office

Service contracts

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. Executive Directors' service agreements can be terminated by not less than six months' prior written notice given by the Executive or by not less than six months' prior written notice given by the employer. The table below summarises the service contracts and letters of appointments for our Executive Directors.

Director	Date of contract
Brian Wilkinson	18 September 2013
Tony Dyer	15 September 2006
Keith Lewis	20 October 2010

All service contracts are available for viewing at the Company's registered office and at the AGM.

Brian Wilkinson holds a position as a Non-Executive Director of Concilium Search Limited, a company 10% owned by the Group. No other Executive Director holds any Non-Executive positions in other companies outside of the Group.

Payments for loss of office

When determining any loss of office payment for a departing Director, the Committee will always seek to minimise cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

On loss of office, salary, benefits and pension contributions would normally be paid over the notice period, although the Company has discretion to make a lump sum payment on termination equal to the value of these elements of remuneration.

Remuneration Committee's Report continued

4. Executive Director service contracts and payment for loss of office continued

Payments for loss of office under the Company's incentive plans may be made in line with the respective plan rules as summarised in the table below:

Cessation of employment	Change of control
Annual bonus	
› Where a participant's employment is terminated after the end of a performance year but before the payment is made, the participant will remain eligible for a bonus award for that performance year subject to an assessment of the performance targets over the period. Where an award is made, the payment may be delivered fully in cash. No award will be made in these circumstances in the event of gross misconduct. › If the participant is a good leaver during the performance year, a bonus will normally be paid in cash at the end of the year pro-rated for length of service and the achievement of performance targets measured over the full year. Any unvested deferred share bonus awards will vest on the normal vesting date. › The Committee has the discretion to determine that a bonus award may be paid in cash at the date of cessation and/or that the deferred share bonus awards will vest early, and/or in exceptional circumstances whether to pro-rate the award for time served as an employee. › A 'good leaver' is defined as a participant ceasing to be in employment by reason of death, ill-health, injury, disability, redundancy, retirement, the company employing the participant ceasing to a member of the Group, the participant's employing business being sold out of the Group or at the Committee's discretion. › Anyone who is not a good leaver will be a bad leaver. For a bad leaver, there will be no cash bonus pay-out for the year in which they leave and any unvested deferred share bonus awards will lapse.	› The participant will receive the annual bonus in cash immediately prior to the date of the change of control. › The level of cash payment will be determined by the Committee at its discretion by reference to the time elapsed from the start of the performance year to the change of control date and the performance levels achieved as at the date of the change of control (where applicable). › The Committee has the discretion to determine, in exceptional circumstances, whether to pro-rate the award for time served as an employee. › Any unvested deferred bonus shares will also vest immediately prior to a change of control. › In the event of an internal corporate reorganisation, the Committee may decide (with the consent of the acquiring company) to replace unvested deferred awards with equivalent new awards over shares in the acquiring company.
LTIP to be approved at the AGM in December 2016	
› For good leavers, unvested awards will vest on the normal vesting date subject to (i) the extent any applicable performance targets have been satisfied at the end of the normal performance period and (ii) pro-rating to reflect the period of time between grant and cessation of employment as a proportion of the vesting period that has elapsed. › In exceptional circumstances, the Committee has the discretion to determine that the end of the performance period is the date of cessation and whether to pro-rate the number of vested awards to reflect the vesting period completed. › A 'good leaver' is defined as a participant ceasing to be in employment by reason of death, ill-health, injury, disability, redundancy, retirement, the company employing the participant ceasing to a member of the Group, the participant's employing business being sold out of the Group or at the Committee's discretion. › Anyone who is not a good leaver will be a bad leaver. Bad leavers will forfeit all unvested awards.	› Unvested awards will vest early subject to (i) the extent that any applicable performance targets have been satisfied at that time and (ii) pro-rating to reflect the reduced period of time between grant and early vesting as a proportion of the vesting period that has elapsed. › At the Committee's discretion, the Committee may consider whether to disapply pro-rating for time and performance. › In the event of an internal corporate reorganisation, the Committee may decide to replace unvested awards with equivalent new awards over shares in the acquiring company.

5. 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 table below sets out the key elements of the policy for Non-Executive Directors.

Purpose	Operation	Maximum opportunity	Performance measures and assessment
To provide compensation that attracts high-calibre individuals and reflects their experience and knowledge.	Fee levels are reviewed periodically taking into account independent advice and the time commitment required of Non-Executive Directors. The fees paid to the Chairman and the fees of the other Non-Executive Directors aim to be competitive with other listed companies which the Committee (in the case of the Chairman) and the Board (in respect of the Non-Executive Directors) consider to be of equivalent size and complexity. Non-Executive Directors may receive a base fee and additional fees for the role of Senior Independent Director or membership and/or Chairmanship of certain committees. Non-Executive Directors also receive reimbursement of reasonable expenses (and any tax thereon) incurred undertaking their duties and/or Company business.	Any increase in Non-Executive Director fees may be above the level awarded to other employees, given that they may only be reviewed periodically and may need to reflect any changes to time commitments or responsibilities. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.	Non-Executive Director fees are not performance related. Non-Executive Directors do not receive any variable remuneration element.

Letters of appointment

The Non-Executive Directors do not have service contracts but are appointed under letters of appointment renewed annually. Early termination of the appointment is possible with six months' notice. Each Non-Executive Director is subject to annual re-election at the Company's AGM. The table below sets out the dates that each Non-Executive Director was first appointed.

Director	Letter of appointment date
Patrick Shanley	12 October 2015
George Materna	10 November 2015
Ric Piper	10 November 2015
Richard Bradford	10 November 2015
Rudi Kindts	10 November 2015
Roger Goodman	10 November 2015

No compensation is payable in the event of early termination apart from the notice period. All letters of appointment are available for viewing at the Company's registered office and at the AGM.

6. Consideration of employee remuneration and shareholders

Consideration of shareholder views

The Committee has an open relationship with shareholders. It welcomes dialogue and engages with significant shareholders on material changes to its remuneration policy or structure. In advance of making changes to policy and putting forward the new LTIP to shareholders at the 2016 AGM, we wrote to our largest shareholders to explain the background and the rationale for our decisions.

All-employee remuneration

In setting the remuneration policy for Directors, the pay and conditions of other employees of Gattaca are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors, and uses this information to ensure consistency of approach throughout the Company.

The Group operates a range of bonus plans appropriate to its various businesses. The main drivers of these plans, similar to the Executive Directors' arrangements, are profit and sales. The Company also provides long-term incentive awards to certain employees.

For all employees, the Company operates a tax efficient share incentive plan (SIP) in the United Kingdom. The SIP gives employees the opportunity to purchase shares up to an annual limit with the Company providing additional matching shares for every employee share purchased.

The Committee has not expressly sought the views of employees and no remuneration comparison measurements were used when drawing up the Directors' remuneration policy. Through the Board, however, the Committee is updated as to employee views on remuneration generally.

2016 Annual Report on Remuneration

This 2016 Annual Report on Remuneration contains details of how the Company's policy for Directors was implemented during the financial year ended 31 July 2016.

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	Taxable benefits[1] £'000	Annual bonus £'000	Long-term incentives[2] £'000	Pension £'000	Total £'000
Brian Wilkinson (Chief Executive Officer)	2016	300	15	90	133	30	568
	2015	261	13	104	–	25	403
Tony Dyer (Chief Financial Officer)	2016	190	15	57	131	19	412
	2015	164	14	62	82	16	338
Keith Lewis (Chief Operating Officer)	2016	190	14	57	131	19	411
	2015	146	12	62	82	34	336

Notes
1 Taxable benefits comprise car benefits and private medical insurance.
2 See details on long-term incentive values below.

Annual bonus outcomes for the financial year ending 31 July 2016 (Audited information)

For 2016, the Executive Directors' maximum bonus opportunity was 140% of salary. The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director:

Performance measure	Weighting (% of maximum bonus opportunity)	Threshold performance target (29% of performance measure maximum opportunity earned)	Target level of performance	Maximum performance target (100% of performance measure maximum opportunity earned)	Actual performance outcome	% of performance measure maximum opportunity earned
Profit before tax (PBT)	75%	£21.0m	£22.6m	£25.0m	£21.1m	29%
Net fee income (NFI)	25%	£77.0m	£80.6m	£85.0m	£73.0m	0%
			29% of total maximum for the Executive Directors			

As a result for the performance results shown above, the bonuses awarded to the Executive Directors are £90,000 for Brian Wilkinson, £57,000 for Tony Dyer and £57,000 for Keith Lewis. The 2016 bonuses will be paid in cash. No part of the bonus will be subject to deferral and no discretion was exercised by the Committee when determining the bonus outcomes.

1. Executive Director remuneration continued

Long–term incentives vesting for performance related to financial year ending July 2016

(i) Value Creation Plan: the VCP has a five-year performance period (ending after the preliminary announcement of the Group's results in 2016) and the VCP units entitle the Directors to share in 7.5% of the total value created for shareholders in excess of an annual hurdle at a series of measurement dates.

The level of value created for Gattaca shareholders will be determined by reference to the appreciation in the Company's share price and the amount of dividends paid. The shareholder value created at each measurement date will be calculated using the average share price over the 30-day period prior to the relevant measurement date, the measurement date being 30 days after the preliminary announcement of the Group's results. The annual hurdle will be the higher of (i) the actual share price at the previous measurement date or (ii) 20% p.a. growth above the initial price. At each measurement date each Director will receive an entitlement to Gattaca shares (in the form of a nil cost option) with a value equivalent to each Director's relevant proportion of the VCP pool created in respect of that measurement date. 50% of the shares granted to the Executive Directors will become exercisable on the fifth measurement date and the balance a year later.

As reported in prior Annual Reports, shares in the form of nil cost options were granted to the Executive Directors following the achievement of the annual hurdle at the second and third measurement dates. The annual hurdle was not achieved at the fourth measurement date and no further shares were granted. Based on the share price at the date of writing this report, it is unlikely that the fifth measurement date hurdle will be achieved and therefore no further shares will be granted under the plan.

On the basis that no further shares were accrued at the fourth measurement date (where performance is tested relating to the FYE 31 July 2015) and it is unlikely that any further shares will be accrued at the fifth measurement date (where performance is tested relating to the FYE 31 July 2016), no value is shown for the VCP in the single figure remuneration table for 2015 and 2016.

The table below summarises the hurdles and the measurement prices achieved at each measurement date.

Financial year	Measurement date	Threshold price	Measurement price	Value created under the VCP at measurement £'000
2012	1st – 16 November 2012	£2.62	£2.54	–
2013	2nd – 15 November 2013	£3.14	£5.84	4,991
2014	3rd – 13 November 2014	£3.77	£6.15	580
2015	4th – 28 November 2015	£4.52	£6.10	–
2016	5th – 2 December 2016	£5.42		

The table below summarises the total number of shares, in the form of nil cost options that have been granted at the second and third measurement dates to the current Executive Directors.

Audited information

Director	Number of VCP units	Percentage of total units available under the plan	Number of shares granted (nil cost options)
Brian Wilkinson	144,000	14.4%	14,900
Tony Dyer	145,000	14.5%	146,571
Keith Lewis	145,000	14.5%	146,571

In accordance with the rules of the plan, 50% of the shares granted to the Executive Directors will become exercisable on the fifth measurement date and the balance a year later.

(ii) LTIP: awards were granted on 24 January 2014 and are due to be released on 24 January 2017. These awards were granted subject to the achievement of certain EPS targets which were measured over three financial years ending 31 July 2016. The table opposite summarises the awards that were released:

Director	Number of nil cost options granted	Performance measures	Performance targets	Performance outcome	Number of awards vesting	Value of awards shown in the single figure table for 2016[2]
Brian Wilkinson	34,896	100% EPS underpin	Note 1	100%	34,896	£133,000
Tony Dyer	34,450	100% EPS underpin	Note 1	100%	34,450	£131,000
Keith Lewis	34,450	100% EPS underpin	Note 1	100%	34,450	£131,000

Notes
1 At 7% p.a. + RPI, 33% vests. At 20% p.a. + RPI, 100% vests.
2 The value of the awards will not be known until 24 January 2017, therefore in line with the regulations, we have used the average price over the last quarter of the 2016 financial year, equal to 381.7 pence. We will restate the value of the awards in the 2017 Directors' Remuneration Report.

Defined benefit pension

The Executive Directors do not have a prospective right to a defined benefit pension by reference to qualifying service.

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

During the financial year there were no payments to past Directors or payments for loss of office during the year.

3. Implementation of remuneration policy for the Executive Directors for 2017

Fixed remuneration: the Committee has determined that no salary increase will be applied to the current Executive Director salary levels for 2017. Benefits and pensions will be provided in line with policy.

Annual bonus: consistent with the new policy, the maximum bonus will be 120% of salary for each Executive Director. For the 2017 financial year, performance measures will be based on PBT and NFI targets. The Committee is of the opinion that the precise performance targets for the annual bonus are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. Actual targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess them.

LTIP awards: details of the LTIP awards to be made, under the new LTIP, after the 2016 AGM are provided below.

Director	Type of award	Maximum value of award at grant date	Vesting period	Exercise price
Brian Wilkinson	Nil cost option	150% of salary	Three years from grant with two-year holding period post vesting	Nil
Tony Dyer	Nil cost option	150% of salary		Nil
Keith Lewis	Nil cost option	150% of salary		Nil

The awards will vest subject to achieving two challenging measures, namely growth in adjusted EPS (50% weighting) and relative TSR (50% weighting). The targets are shown in the table below.

Measure	Performance period	Performance target (pence per share per annum)	Vesting (% of award)
Adjusted EPS[1] (50% award weighting)	Three years ending 31 July 2019	Less than 6	0%
		6 to 15	25% to 100%
Relative TSR versus peer group of recruitment companies (50% award weighting)[2]	Three years from the date of grant	Below median peer group return	0%
		From peer group median to +9%	25% to 100%

Notes
1 The definition of adjusted EPS will be as disclosed in the Financial Statements. Growth in EPS will be calculated on a compound annual growth basis.
2 Growth in TSR will be calculated on a compound annual growth basis. It is envisaged that the peer group will comprises of 11 FTSE All Share and FTSE AIM recruitment companies to ensure the Committee assesses performance against companies with similar business characteristics.

In determining the final vesting, the Committee will consider the underlying financial performance of the business to ensure that the vesting outcome reflects the performance of the Company.

Remuneration Committee's Report continued

4. 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 £'000	Total £'000
Patrick Shanley[1]	2016	67	–	67
	2015	–	–	–
George Materna	2016	51	–	51
	2015	50	2	52
Ric Piper[2]	2016	99	1	100
	2015	55	1	56
Richard Bradford	2016	46	–	46
	2015	45	–	45
Rudi Kindts	2016	45	–	45
	2015	47	–	47
Roger Goodman	2016	46	–	46
	2015	15	–	15

Notes
1 Appointed December 2015.
2 2016 fees include role as Interim Chairman.

Fees to be provided in 2017 to the Non-Executive Directors

The following table sets out the annual fee rates for the Non-Executive Directors:

Fee component	2017 £'000	2016 £'000	% change
Chairman fee	100	100	–
Non-Executive Director base fee	46	46	–
Senior Independent Director fee	5	5	–
Committee Chair fee (Audit and Remuneration committees)	5	5	–
Committee member fee (Audit and Remuneration committees)	–	–	–

5. Directors' shareholding and share interests

Shareholding and other interests at 31 July 2016 (Audited information)

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

	Shareholding at 31 July 2016		Interests in shares under the LTIP (nil cost options) and 2011 VCP (nil cost options)		SIP awards (matching shares)	
Director	Number of beneficially owned shares[1]	% of salary held[2]	Total interests subject to conditions	Total vested interests unexercised	Total interests subject to conditions	Total interests at 31 July 2016
Brian Wilkinson	45,248	48%	87,978	–	294	133,520
Tony Dyer	319,509	526%	206,014	25,368	1,189	552,080
Keith Lewis	297,292	478%	206,014	35,130	2,576	541,012
Patrick Shanley	–	–	–	–	–	–
George Materna	7,877,405	–	–	–	–	7,877,405
Ric Piper	–	–	–	–	–	–
Richard Bradford	–	–	–	–	–	–
Rudi Kindts	–	–	–	–	–	–
Roger Goodman	80,143	–	–	–	–	80,143
Total	8,619,597		500,006	60,498	4,059	9,184,160

Notes
1 Beneficial interests include shares held directly or indirectly by connected persons. These also include partnership shares held under the SIP.
2 % of salary held calculated using the share price on 31 July 2016, being 318.4 pence.

Between 31 July 2016 and the date that this report was signed off, Tony Dyer exercised 25,368 nil cost options and immediately sold 11,895 shares, resulting in an increase in his beneficial shareholding to 332,982 shares. Keith Lewis exercised 35,130 nil cost options and immediately sold 14,822 shares, resulting in an increase in his beneficial shareholding to 317,600 shares. Brian Wilkinson purchased 47,722 shares, increasing his beneficial shareholding to 92,970 shares.

5. Directors' shareholding and share interests continued

LTIP awards granted in 2016 (Audited information)

The table below sets out the details of the LTIP awards granted on 10 February 2016 where vesting will be determined according to the achievement of certain performance measures.

Director	Type of award	Face value/ maximum value of award at grant date[1] (£/% of salary)	Number of shares	Vesting date	Exercise price
Brian Wilkinson	Nil cost options	£110,000/29%	19,298	10 February 2019	Nil
Tony Dyer	Nil cost options	£72,000/30%	12,632	10 February 2019	Nil
Keith Lewis	Nil cost options	£72,000/30%	12,632	10 February 2019	Nil

Notes
1 A share price of 570.0 pence on 31 July 2015 was used to determine the maximum face value of awards. 31 July 2015 was used as the closing price at the previous year end.

The awards will vest subject to achieving the following targets:

Measure	Performance period	Performance target	Vesting (% of award)
Growth in adjusted earnings per share	Three financial years, ending the 2018 financial year	Less than 7% per annum	0%
		7% per annum	33%
		14% per annum	100%

SIP awards granted in 2016 (Audited information)

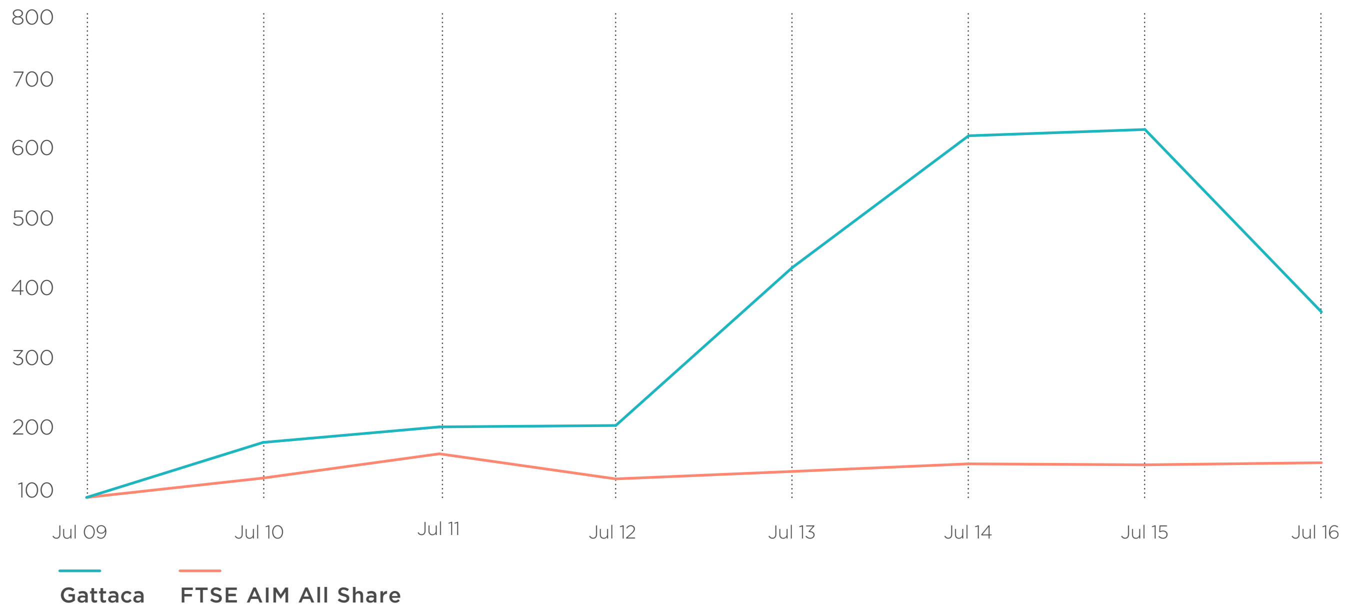
During the year, the Group operated a share incentive plan (SIP) for Executive Directors and all staff. Under the scheme, staff are entitled to buy shares in the Company out of pre-tax salary. Staff can invest up to a maximum of £1,800 per annum, which will be used to purchase shares. The Group will award one free share for every share that is purchased. Staff will receive matching shares at the end of a three-year holding period, subject to remaining employed within the Group and the shares they bought remaining in the plan throughout the holding period. The table below details the shares bought and matching shares awarded to the Executive Directors during the year.

Director	Purchased	Matching shares awarded
Brian Wilkinson	–	–
Keith Lewis	565	436
Tony Dyer	–	604

6. Chief Executive Officer and employee pay

Total shareholder returns and Chief Executive Officer pay over the last seven years

The Committee believes that the current Executive Director policy and the supporting reward structure provide clear alignment with the Company's performance. The Committee believes it is appropriate to monitor the Company's performance against the FTSE AIM All Share Index as it represents a broad equity market and therefore is a fair comparator. The chart below illustrates our total shareholder return performance against the FTSE AIM Index over the last seven years.



	2010	2011	2012	2013	2014	2015	2015	2016
	A. Gunn	A. Gunn	A. Gunn	A. Gunn	A. Gunn	A. Gunn[1]	B. Wilkinson[2]	B. Wilkinson
Role	CEO	CEO	CEO	CEO	CEO	CEO	CEO	CEO
Single figure of total remuneration (£'000)	247	249	314	328	352	238	403	568
Annual bonus (% maximum)	N/A	N/A	N/A	N/A	N/A	0%	40%	29%
LTIP vesting (% maximum)	0%	0%	0%	0%	87%	0%	0%	100%
VCP vesting[3] (% of maximum)	–	–	0%	100%	100%	0%	0%	0%

Notes
1 A. Gunn left Gattaca 28 January 2015.
2 For FYE 2015, B. Wilkinson's remuneration is shown for the period he was Chief Executive Officer.
3 The VCP was implemented in the 2012 financial year. Under the VCP, performance is measured annually and as discussed previously, the hurdle was achieved at the second and third measurement dates (i.e. performance related to the 2013 financial year and 2014 financial year). The performance hurdle was not achieved at the first or fourth measurement date and is unlikely to be achieved at the fifth measurement date and hence 0% vesting is shown.

6. Chief Executive Officer and employee pay continued

Percentage change in the Chief Executive Officer's remuneration

The table below compares the percentage change in the Chief Executive Officer's pay with that of the senior management group who had been employed over the comparable period. The Committee deems this to be the most appropriate comparator group.

% change from 2015 to 2016:	Base salary	Benefits	Annual bonus
Chief Executive Officer	+15%	+15%	-13%
Employee pay	+8%	+5%	+15%

Relative importance of spend on pay

The table below sets out the overall spend on pay for all employees compared with the returns distributed to shareholders.

	2016	2015	% change
All employee spend on pay (£'000)	37,095	27,049	+37%
Total distribution to shareholders (£'000)	6,892	5,382	+28%

Note
1 The above figures are taken from Note 4 to the Financial Statements.

7. Considerations by the Committee of matters relating to Directors' remuneration in 2016

The Committee determines and agrees with the Board the remuneration 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 executive. 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 at www.gattacaplc.com.

Members of the Committee during 2016	Independent	Number of meetings held	Attendance (% of meetings held)
Rudi Kindts (Chairman)	Yes	6	100%
Roger Goodman	Yes	6	83%

During the year, there were six Committee meetings. The matters covered at each meeting include salary decisions for 2016, annual bonus outturns for 2015, long-term incentive award operation and the Committee's review of policy.

All Committee members attended all meetings that took place while they were members. None of the Committee members has any personal financial interest (other than as 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 2016 from PwC. PwC is considered by the Committee to be objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of all the services provided during the year by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services.

The total fee paid to PwC in respect of services to the Committee during the year was £60,000. The fee was determined based on the scope and nature of the projects undertaken for the Committee.

8. Statement of voting

We have not previously put our Directors' Remuneration Report to vote at an AGM. The 2016 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:

Rudi Kindts
Chairman of the Remuneration Committee
3 November 2016

Independent Auditor's Report To the members of Gattaca PLC

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Gattaca plc for the year ended 31 July 2016 set out on pages 69-100.
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

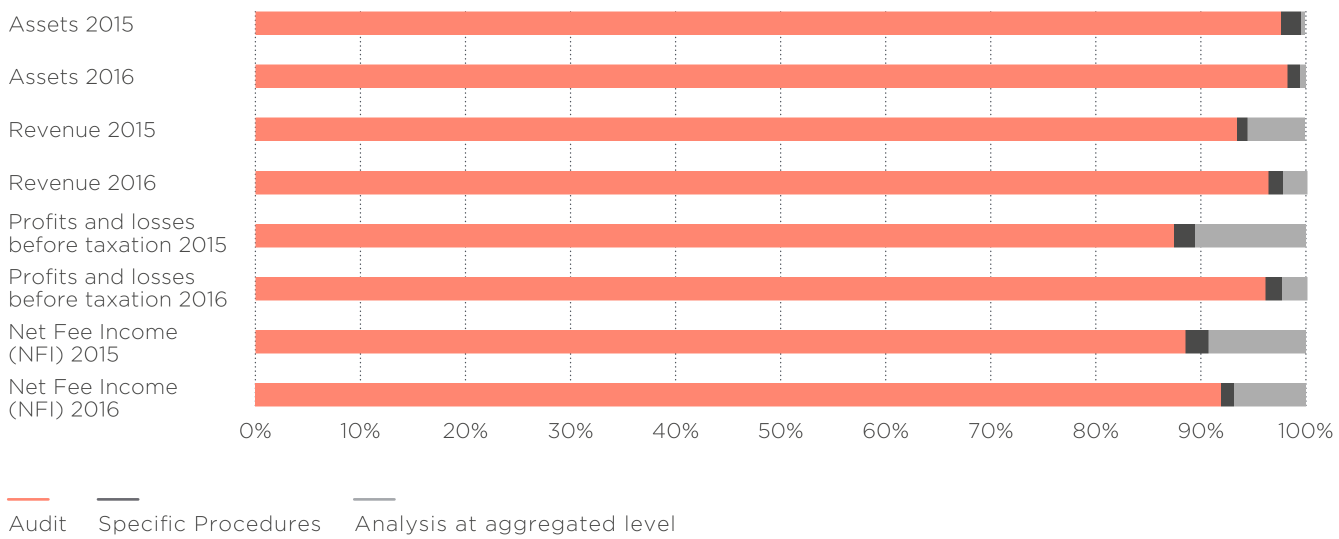
Risk:	**Valuation of goodwill and intangibles relating to Networkers** 31 July 2016: £45,065,000 (31 July 2015: £48,502,000) *Refer to the Audit Committee Report, Note ix (Summary of significant accounting policies), Note xxiv (Summary of significant accounting policies) and Note 11 (Intangible Assets).*
Detailed description:	On the acquisition of Networkers Group plc in April 2015, goodwill and intangible assets of £49.7m were recognised. The consideration paid by the Group was based on the business acquired and consideration of future profits that this would bring to the Group, including synergies. There is a risk that the future cash flows of the cash-generating units may not support the carrying value of the goodwill and intangible asset balances.
Our response:	Our procedures included the following: We obtained the cash flow forecasts. Based on historic performance of the business we critically assessed the forecasts, including performing a review of the historic accuracy of forecasts. Our work on the forecasts included a stress test for future margins and for revenue streams compared to current performance to determine the point at which there would be a diminution in the carrying value. We also performed our own assessment and discussed with our valuation specialists, other key inputs such as discount rates and terminal multipliers. Finally, we assessed whether the Group's disclosures properly reflected the risks inherent in the calculations and met the requirements of relevant accounting standards.

Risk:	**Recoverability of trade debtors** 31 July 2016: £98,156,000 (31 July 2015: £93,872,000) *Refer to the Audit Committee Report, Note xvi (Summary of significant accounting policies), Note xxii (Summary of significant accounting policies) and Note 15 (Trade and other receivables).*
Detailed description:	Following the acquisition of Networkers, the geographical scope of the business has widened. The business operates in territories which may have weaker economies and where longer payment terms are normal. There is a risk that debtor balances are not paid, due to disputes or customers becoming insolvent. The long payment terms may mean that the business continues to trade with these customers when the debt is actually irrecoverable.
Our response:	Our procedures included the following: We have tested controls over the authorisation and credit checks performed over new customers. We have critically assessed the application of their provisioning for bad debts policy, including considering the appropriateness of the provision recorded in the current and previous years. Post year end cash receipts testing has been performed. This has been combined with an analysis of aged debts at year end and additional work has been performed for those debtors for which no payment has been received post year end and for which no provision is in existence, including discussion with the Directors to consider the circumstances of that debtor and the likely recoverability of the related debt.
Risk:	**Revenue recognition (including its inclusion in the appropriate period)** 31 July 2016 £617,604,000 (31 July 2015 £502,293,000) *Refer to the Audit Committee Report, Note vi (Summary of significant accounting policies), Note xxii (Summary of significant accounting policies) and Note 2 (Segmental information).*
Detailed description:	There is a risk that sales may be recognised in the wrong period due to the volume of client work being performed around year end and an estimate being made of any hours worked where a timesheet has not yet been received by year end but the work is known to have been completed. This balance is significant by value to our audit. The manual process for calculation of this amount and its direct impact on the operating profit's margin, means there is a risk of management bias which we seek to address.
Our response:	Our procedures included the following. We tested controls over the authorisation of timesheet entries. We have obtained the breakdown for contractor timesheets not received before the period end and agreed a sample of entries back to original timesheets to check whether that these have been recognised in the correct period. We have also obtained the accrued revenue breakdown for timesheets which have been authorised but no invoice yet raised and agreed a sample back to the original timesheet to check whether these have been recognised in the correct period. For permanently placed staff we have selected a sample of revenue entries pre and post year end, and obtained a signed contract of employment for those individuals. We have checked whether that revenue is recognised in the correct period, relevant to when that persons' contract commenced. We have reconciled revenue to cash receipted by the business, adjusting for trade debtors and accrued/deferred income.

For the 31 July 2015 year-end a significant risk was identified relating to the acquisition of the Networkers plc Group and the accounting for this. As this transaction was a one-off transaction occurring in the financial year to 31 July 2015, the significant risk has been removed in the current year.

3 Our application of materiality and an overview of the scope of our audit

Group Scoping



The materiality for the Group financial statements as a whole was set at £1,000,000 for the financial year ending 31 July 2016 determined with reference to a benchmark of Group profit before tax, normalised to exclude non-recurring items (2016: £2,371,000; 2015: £2,710,000) and amortisation of intangible assets (2016: £3,656,000; 2015: £1,680,000), of £21,096,000 (2015: £15,676,000) of which it represents 5%. This is consistent with the percentage of 5% for the financial year ending 31 July 2015; however, it reflects an increase in the materiality number from £800,000 following a full year of the Networkers integration. Non-recurring items were substantively audited, agreeing 100% of the sample back to underlying support and rationale for inclusion as non-recurring. Amortisation of intangible assets was recalculated and the basis for the useful life considered.

We agreed with the Audit Committee that we would report all corrected and uncorrected misstatements identified through our audit with a value in excess of £50,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The key Group KPI is net fee income (NFI), defined as revenue less contractor payroll costs, reflecting the contribution made by each sale.

We audited 92% (2015: 89%) of the NFI that made up Group NFI, 96% (2015: 93%) of total Group revenue, 96% (2015: 87%) of total Group profit before tax and 98% (2015: 98%) of total Group assets. This included the audit, for Group reporting purposes, of the financial information of certain components. In addition, it also included audit procedures on certain total Group account balances that present individual risks, specifically goodwill and intangible assets arising on acquisition. Of the Group's 33 reporting components (2015: 33), audits for Group reporting purposes, including those performed by the Group audit team, were performed at 15 (2015: 10) components in the following locations: UK (10), North America (2), South Africa (2) and Dubai (1) (2015: UK (10)).

We performed specified procedures over 1% (2015: 2%) of the NFI that made up Group NFI, 1% (2015: 1%) of total Group revenue, 2% (2015: 2%) of total Group profit before tax and 1% (2015: 2%) of total Group assets. Of the Group's 33 reporting components (2015: 33), specified audit procedures for Group reporting purposes, including those performed by the Group audit team, were performed at 2 (2015: 7) components in the following locations: Malaysia and Qatar, (2015: North America (2), South Africa (2), Malaysia (1), Qatar (1) and Dubai(1)).

The remaining 7% (2015: 9%) of NFI, 2% (2015: 11%) total profits and losses that made up Group profit before tax, 2% (2015: 6%) of total Group revenue and 1% (2015: 0%) of total Group assets was represented by 16 (2015: 16) smaller components. None of these components individually represent more than 1% of any of the NFI that made up Group NFI.

We performed analysis across the remaining entities at an aggregated level.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

Telephone conference meetings were also held with these component auditors. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4 Our opinion on other matters prescribed by the Companies Act 2006 and under the terms of our engagement is unmodified

In addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have decided to prepare as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion:

- the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements were to apply to the Company; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of longer-term viability on page 33, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three-year period ending 31 July 2018; or
- the disclosures in Note 1 of the Financial Statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report on pages 38-41 of the Annual Report does not appropriately address matters communicated by us to the Audit Committee.

6 We have nothing to report in respect of the matters on which we are required to report by exception continued
Under the Companies Act 2006 and under the terms of our engagement we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company Financial Statements and the part of the Directors' Remuneration Report which we were engaged to audit are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition to our audit of the Financial Statements, the Directors have engaged us to review their Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters. Under the terms of our engagement we are required to review:

- the Directors' statements, set out on pages 32 and 33, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 34-37 relating to the Company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014b, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Steve Masters (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG
3 November 2016

Consolidated Income Statement

For the year ended 31 July 2016

	Note	2016 £'000	2015 £'000
Revenue		617,604	502,293
Cost of sales		(544,608)	(447,474)
Gross profit	2	72,996	54,819
Administrative expenses		(57,934)	(42,459)
Profit from operations	3	15,062	12,360
Profit from operations before amortisation of acquired intangibles and non-recurring costs		21,089	16,750
Non-recurring costs included within administrative expenses	3	(2,371)	(2,710)
Amortisation of acquired intangibles	3	(3,656)	(1,680)
Profit on disposal of subsidiary		58	–
Finance income	5	1,025	–
Finance cost	6	(1,076)	(1,074)
Profit before tax		15,069	11,286
Taxation	9	(5,152)	(2,959)
Profit for the year		9,917	8,327
Attributable to:			
Equity holders of the parent		9,917	8,311
Non-controlling interests		–	16
		9,917	8,327

All of the activities of the Group are classed as continuing.

Earnings per Ordinary Share

	Note	2016 pence	2015 pence
Basic	10	32.1	31.0
Diluted	10	31.0	29.6

Statement of Comprehensive Income

For the year ended 31 July 2016

	2016 £'000	2015 £'000
Profit for the year	9,917	8,327
Other comprehensive income		
Exchange differences on translating foreign operations	835	(109)
Other comprehensive income for the year	835	(109)
Total comprehensive income for the year attributable to equity holders of the parent	10,752	8,218
Attributable to:		
Equity holders of the parent	10,752	8,202
Non-controlling interests	–	16
Total	10,752	8,218

Statements of Changes in Equity

For the year ended 31 July 2016

A) Group

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation of foreign operations £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
At 1 August 2014	**250**	**7,388**	**224**	**1,621**	**89**	**33,091**	**–**	**42,663**
Profit for the year	–	–	–	–	–	8,311	16	8,327
Other comprehensive income	–	–	–	–	(109)	–	–	(109)
Total comprehensive income	–	–	–	–	(109)	8,311	16	8,218
Dividends paid in the year	–	–	–	–	–	(5,382)	–	(5,382)
Deferred tax movement re share options	–	–	–	–	–	174	–	174
IFRS2 charge	–	–	–	1,623	–	–	–	1,623
IFRS2 reserves transfer	–	–	–	(1,104)	–	1,104	–	–
Reacquisition of non-controlling interest	–	–	–	–	–	(650)	–	(650)
Shares issued	59	1,306	28,526	–	–	–	–	29,891
Transactions with owners	59	1,306	28,526	519	–	(4,754)	–	25,656
At 31 July 2015	**309**	**8,694**	**28,750**	**2,140**	**(20)**	**36,648**	**16**	**76,537**
At 1 August 2015	**309**	**8,694**	**28,750**	**2,140**	**(20)**	**36,648**	**16**	**76,537**
Profit for the year	–	–	–	–	–	9,917	–	9,917
Other comprehensive income	–	–	–	–	835	–	–	835
Total comprehensive income	–	–	–	–	835	9,917	–	10,752
Dividends paid in the year	–	–	–	–	–	(6,892)	–	(6,892)
Deferred tax movement re share options	–	–	–	–	–	(185)	–	(185)
Acquisition of non-controlling interest	–	–	–	–	–	(124)	(16)	(140)
IFRS2 charge	–	–	–	1,537	–	–	–	1,537
IFRS2 reserves transfer	–	–	–	(1,140)	–	1,140	–	–
Shares issued	3	2	–	–	–	–	–	5
Transactions with owners	3	2	–	397	–	(6,061)	(16)	(5,675)
At 31 July 2016	**312**	**8,696**	**28,750**	**2,537**	**815**	**40,504**	**–**	**81,614**

B) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2014	**250**	**7,388**	**–**	**1,621**	**1,408**	**10,667**
Profit and total comprehensive income for the year	–	–	–	–	3,482	3,482
Dividends paid in the year	–	–	–	–	(5,382)	(5,382)
IFRS 2 charge	–	–	–	1,623	–	1,623
IFRS 2 reserves transfer	–	–	–	(1,104)	1,104	–
Shares issued	59	1,306	28,526	–	–	29,891
Transactions with owners	59	1,306	28,526	519	(4,278)	26,132
At 31 July 2015	**309**	**8,694**	**28,526**	**2,140**	**612**	**40,281**
At 1 August 2015	**309**	**8,694**	**28,526**	**2,140**	**612**	**40,281**
Profit and total comprehensive income for the year	–	–	–	–	7,298	7,298
Dividends paid in the year	–	–	–	–	(6,892)	(6,892)
IFRS 2 charge	–	–	–	1,537	–	1,537
IFRS 2 reserves transfer	–	–	–	(1,140)	1,140	–
Shares issued	3	2	–	–	–	5
Transactions with owners	3	2	–	397	(5,752)	(5,350)
At 31 July 2016	**312**	**8,696**	**28,526**	**2,537**	**2,158**	**42,229**

Statements of Financial Position

For the year ended 31 July 2016

	Note	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Non-current assets					
Intangible assets	11	48,371	52,230	–	–
Property, plant and equipment	12	1,125	1,535	–	–
Investments	13	–	–	7,213	5,676
Deferred tax asset	14	969	1,237	–	–
Total non-current assets		50,465	55,002	7,213	5,676
Current assets					
Trade and other receivables	15	100,811	98,897	80,335	72,135
Cash and cash equivalents		7,442	3,997	–	–
Total current assets		108,253	102,894	80,335	72,135
Total assets		158,718	157,896	87,548	77,811
Non-current liabilities					
Deferred tax liability	14	(4,286)	(4,967)	–	–
Provisions	16	(278)	(278)	–	–
Bank loans and overdrafts	22	(13,608)	(28,608)	(13,608)	(28,608)
Total non-current liabilities		(18,172)	(33,853)	(13,608)	(28,608)
Current liabilities					
Trade and other payables	17	(37,861)	(37,562)	(31,711)	(8,922)
Current tax liability		(2,224)	(911)	–	–
Bank loans and overdrafts	22	(18,847)	(9,033)	–	–
Total current liabilities		(58,932)	(47,506)	(31,711)	(8,922)
Total liabilities		(77,104)	(81,359)	(45,319)	(37,530)
Net assets		81,614	76,537	42,229	40,281
Equity					
Called-up equity share capital	20	312	309	312	309
Share premium account		8,696	8,694	8,696	8,694
Merger reserve		28,750	28,750	28,526	28,526
Share-based payment reserve		2,537	2,140	2,537	2,140
Translation of foreign operations		815	(20)	–	–
Retained earnings		40,504	36,648	2,158	612
Total equity attributable to equity holders of the parent		81,614	76,521	42,229	40,281
Non-controlling interest		–	16	–	–
Total equity		81,614	76,537	42,229	40,281

These Financial Statements were approved by the Board of Directors on 3 November 2016, and signed on their behalf by:

Tony Dyer
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 31 July 2016

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Cash flows from operating activities				
Profit after taxation	9,917	8,327	7,298	3,482
Adjustments for:				
Depreciation and amortisation	4,776	2,696	–	–
Profit on disposal of property, plant and equipment	(7)	(13)	–	–
Interest income	(1,025)	–	–	–
Interest expense	1,076	1,074	–	–
Taxation expense recognised in profit and loss	5,152	2,959	–	–
(Increase)/decrease in trade and other receivables	(1,914)	12,524	(8,200)	4,101
Increase/(decrease) in trade and other payables	299	(11,157)	22,789	6,733
Share-based payment charge	1,537	1,623	–	–
Investment income	–	–	(8,200)	(4,250)
Cash generated from operations	19,811	18,033	13,687	10,066
Interest paid	(1,186)	(848)	–	–
Income taxes paid	(4,067)	(3,965)	–	–
Net cash from operating activities	14,558	13,220	13,687	10,066
Cash flows from investing activities				
Purchase of plant and equipment	(471)	(524)	–	–
Purchase of intangible assets	(462)	(387)	–	–
Acquisitions net of cash received	(390)	(37,587)	–	(37,587)
Proceeds from sale of subsidiary	420	–	–	–
Proceeds from sale of property, plant and equipment	53	58	–	–
Dividend received	–	–	8,200	4,250
Net cash used in investing activities	(850)	(38,440)	8,200	(33,337)
Cash flows from financing activities				
Proceeds from issue of share capital	5	6	5	6
Drawdown of term loan	–	28,608	–	28,608
Repayment of term loan	(15,000)	–	(15,000)	–
Dividends paid	(6,892)	(5,382)	(6,892)	(5,382)
Net cash used in financing	(21,887)	23,232	(21,887)	23,232
Effects of exchange rates on cash and cash equivalents	1,908	(143)	–	–
Net decrease in cash and cash equivalents	(6,271)	(2,131)	–	(39)
Cash and cash equivalents at beginning of year	(5,240)	(3,109)	–	39
Cash and cash equivalents at end of year	(11,511)	(5,240)	–	–
Cash and cash equivalents				
Cash	7,442	3,997	–	–
Bank overdrafts	(14)	(14)	–	–
Working capital facility used	(18,939)	(9,223)	–	–
Cash and cash equivalents in cash flow statements	(11,511)	(5,240)	–	–

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 is a human capital resources business dealing with contract and permanent recruitment in the private and public sectors. The Company is incorporated in the United Kingdom. The Group's address is: Gattaca plc, 1450 Parkway, Whiteley, Fareham, Hampshire PO15 7AF.

ii Basis of preparation of the Financial Statements
The Financial Statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union (EU) and which are effective at 31 July 2016.

These Financial Statements have been prepared under the historical cost convention. The accounting policies have been applied consistently 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 is set out below.

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 historical 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 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
The following amendment to the existing standard is applicable for the period ending 31 July 2016:

Standard		Effective date (Annual periods beginning on or after)
IAS 19	Defined Benefit Plans: Employee Contributions	1 February 2015

The adoption of the above standard has had no impact on the Financial Statements.

New standards in issue, not yet effective
The following relevant standards and interpretations, which are new and yet to become mandatory, have not been applied in the Group Financial Statements.

Standard		Effective date (Annual periods beginning on or after)
IFRS 11	Joint Arrangements	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IAS 27	Equity Method in Separate Financial Statements	1 January 2016
IFRS 9	Fair Values	1 January 2018
IFRS 15	Revenue	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS improvements	Various	Various

The Board needs to assess the impact of the above new standards, however, based on the Group's current business model and accounting policies. The Directors do not expect material impacts on the figures in the Group's Financial Statements when the interpretations become effective.

The Group does not intend to apply any of these pronouncements early.

v Basis of consolidation
The Group Financial Statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the Statement of Financial Position date. Subsidiaries are entities over which the Group has power to control the financial and operating policies so as to obtain benefits from their activities. The Group obtains and exercises control through voting rights.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the Financial Statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Group Statement of Financial Position at their fair values, which are also used as the bases for subsequent measurement in accordance with Group accounting policies.

Transactions between Group companies are eliminated on consolidation.

vi Revenue
Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT and trade discounts. Revenue on temporary placements is recognised upon receipt of a client-approved timesheet or equivalent. Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment, at which point it is probable that the economic benefits associated with the transaction will be transferred. Fees for the provision of engineering services are recognised on completion of work performed in accordance with customer contracts. Other fees are recognised on confirmation from the client committing to the agreement.

vii Non-recurring items
Non-recurring items are items that are unusual because of their size, nature and 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 true and fair understanding of the Group's results.

Items which are included within this category include:

- costs of acquisitions;
- integration costs following acquisitions;
- significant restructuring costs; and
- other particularly significant or unusual items.

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	12.5% to 33.0%	Straight line
Leasehold improvements	Over the period of the lease term	Straight line

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

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

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

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

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

1 The Group and Company Significant Accounting Policies continued

Trade names and trademarks

Trade names and trademarks have arisen on the consolidation of recently acquired businesses and are recognised at fair value at the acquisition date. Where trade names and trademarks are considered to have a finite useful life, amortisation is calculated using the straight line method to allocate the cost of trade names and trademarks over their estimated useful lives. Where trade names and trademarks are considered to have an indefinite useful life, they are not subject to amortisation; they are tested annually for impairment and when there are indications that the carrying value may not be recoverable, as detailed within the impairment of non-financial assets section below. Trade names and trademarks are stated at cost less accumulated amortisation and impairment.

Other

Other intangible assets acquired by the Group have finite life useful lives and are measured at cost less accumulated amortisation and accumulated losses.

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

Software licences

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

x Disposal of assets

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

xi Operating lease agreements

Rentals applicable to operating leases are charged against profits on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

xii Taxation

Current tax is the tax currently payable based on taxable profit for the year.

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.

xiii Pension costs

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

xiv Share-based payment

The transitional arrangements of IFRS 1 have been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 August 2006. All share-based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to "share-based payment reserve". All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of employee services are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

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

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

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

xv 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.

xvi Financial assets

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

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

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

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

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

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

xvii Financial liabilities

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

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

Notes continued

1 The Group and Company Significant Accounting Policies continued

xviii Financial instruments

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

(i) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(ii) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

The Group uses financial instruments, in particular forward currency contracts, to manage the financial risks associated with the Group's underlying business activities. The forward exchange contracts are used to hedge foreign currency exposures arising on forecast receipts and payments in foreign currencies. These forward contracts are revalued to the rates of exchange at the Statement of Financial Position date and any aggregate unrealised gains and losses arising on revaluation are included in other debtors or creditors. At maturity, or when the contract ceases to be a hedge, gains and losses are taken to the income statement. The Group does not undertake any trading activity in financial instruments.

Fair value hierarchy

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

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

xix Cash and cash equivalents

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

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 balance sheet date.

xxi Foreign currencies

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

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

The assets and liabilities in the Financial Statements of foreign subsidiaries are translated at the rate of exchange ruling at the Statement of Financial Position date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to "Translation of foreign operations" in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

As permitted by IFRS 1, the balance on the cumulative translation adjustment on retranslation of subsidiaries' net assets has been set to zero at the date of transition to IFRS.

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

xxiii Alternative performance measures

Alternative performance measures used within the Group's Annual Report are explained within Note 24 to the Financial Statements.

xxiv Significant accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the Financial Statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements

The judgements made which, in the opinion of the Directors, are critical in drawing up the Financial Statements are as follows:

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 are discussed below. These are included for completeness, although it is the Directors' view that none of these have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgements. Considerable judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's receivables were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required. The carrying amounts of these assets are shown in Note 15.

Intangible assets

The Group determines whether goodwill and other intangible assets (including acquired intangibles) are impaired on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimation of the recoverable amount of the cash generating unit to which the assets are allocated. Consideration is given to the future cash flows of each cash generating unit and the discount rate applied to calculate the present value of those cash flows.

Notes continued

2 Segment Information

The chief operating decision maker, as defined in IFRS 8, has been identified as the Board of Directors of Gattaca plc. The information reported below is consistent with the reports regularly provided to the Board of Directors.

Reportable segments

For the year to 31 July 2015, the Group was reported in three main segments: Engineering, Professional Services and Networkers. Following the integration of Networkers, from 1 August 2015 the reporting structure of the Group was changed to two main reporting segments, Engineering and Technology.

The new Engineering reporting segment includes the Engineering business previously reported together with the Engineering business included within Networkers and the Professional Services brands of Barclay Meade and Alderwood. The Technology segment includes the Connectus brand previously reported within Professional Services and the remaining Networkers business. An explanation of the changes between the new and previous segment reporting is included below.

2016 All amounts in £'000	Engineering	Technology	Total	Divested businesses	Non-recurring items and amortisation of acquired intangibles	Group Total
Revenue	397,737	219,095	616,832	772	–	617,604
Gross profit	43,508	28,879	72,387	609	–	72,996
Operating contribution	23,583	14,640	38,223	(46)	–	38,177
Central overheads	(9,614)	(7,112)	(16,726)	(362)	(6,027)	(23,115)
Profit/(loss) from operations	13,969	7,528	21,497	(408)	(6,027)	15,062
Profit on disposal of subsidiary					58	58
Finance cost, net						(51)
Profit before tax						15,069
Depreciation and amortisation	877	243	1,120		3,656	4,776
Segment net assets	63,292	34,864	98,156			98,156
Unallocated net liabilities						(16,542)
Total net assets						81,614

2015 All amounts in £'000	Engineering	Technology	Total	Divested businesses	Non-recurring items and amortisation of acquired intangibles	Group total
Revenue	366,628	129,054	495,682	6,611	–	502,293
Gross profit	37,853	14,605	52,458	2,361	–	54,819
Operating contribution	21,135	6,925	28,060	224	–	28,284
Central overheads	(8,030)	(2,683)	(10,713)	(821)	(4,390)	(15,924)
Profit/(loss) from operations	13,105	4,242	17,347	(597)	(4,390)	12,360
Finance cost, net						(1,074)
Profit before tax						11,286
Depreciation and amortisation	749	267	1,016		1,680	2,696
Segment net assets	69,595	24,277	93,872			93,872
Unallocated net liabilities						(17,335)
Total net assets						76,537

A segment analysis of total assets has not been included as this information is not available to the Board; the majority of assets are centrally held and are not allocated across the reportable segments. Only trade receivables are reported by segment and, as such, they are included as segment net assets above. Unallocated net liabilities include non-current assets, other receivables, cash and cash-equivalents and current liabilities.

Changes to segment reporting from 2015 audited Financial Statements

For the year to 31 July 2015, the segment reporting was presented in three segments: Professional Services, Networkers and Engineering. The analysis below is a breakdown into the new segments reported above.

	Professional Services				Networkers			
All amounts in £'000	Engineering	Technology	Divested businesses	Total	Engineering	Technology	Divested businesses	Total
Revenue	47,503	79,515	5,764	132,782	6,631	49,539	847	57,017
Gross profit	7,557	7,572	1,548	16,677	1,608	7,033	813	9,454
Profit/(loss) from operations	2,062	2,498	(347)	4,213	497	1,744	(250)	1,991

The total of the Engineering segment reported for the year ended 31 July 2015 is reported within the revised Engineering segment above.

Notes continued

2 Segment Information continued

Geographical information

All amounts in £'000	Revenue 2016	Revenue 2015	Non-current assets 2016	Non-current assets 2015
UK	**572,976**	488,611	**49,940**	54,582
Europe	**1,241**	1,575	**–**	–
Middle East and Africa	**17,042**	4,298	**227**	199
Americas	**21,126**	6,103	**138**	57
Asia Pacific	**5,219**	1,706	**160**	164
Total	**617,604**	502,293	**50,465**	55,002

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

Largest customers
No single client contributed more than 10% of the Group's revenues (2015: none).

3 Profit from Operations

	2016 £'000	2015 £'000
Profit from operations is stated after charging/(crediting):		
Depreciation	**835**	743
Amortisation of acquired intangibles	**3,656**	1,680
Amortisation of software licences	**285**	273
Profit on disposal of property, plant and equipment	**(7)**	(13)
Auditor's remuneration:		
fees payable for the audit of the Parent Company Financial Statements	**10**	10
fees payable for the audit of the subsidiary Company Financial Statements	**238**	234
Non audit services:		
taxation	**45**	73
other services pursuant to legislation	**–**	41
Operating lease costs:		
Plant and machinery	**312**	272
Land and buildings	**1,610**	1,121
Share-based payment charge	**1,537**	1,623
Net (gain)/loss on foreign currency translation	**(1,025)**	288
Non-recurring costs included within administrative expenses:		
Acquisition costs	**–**	1,685
Restructuring costs	**2,371**	1,025

4 Particulars of Employees

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

	2016 No.	2015 No.
Sales	**526**	383
Administration	**203**	147
Directors	**11**	10
Total	**740**	540

The aggregate payroll costs of the above were:

	2016 £'000	2015 £'000
Wages and salaries	**32,578**	23,344
Social security costs	**3,262**	2,515
Other pension costs	**1,255**	1,190
Total	**37,095**	27,049

Disclosure of the remuneration of 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 44-63.

	2016 £'000	2015 £'000
Short-term employee benefits	**2,319**	2,180
Post-employment benefits	**113**	212
Share-based payments	**600**	1,039
Total	**3,032**	3,431

Notes continued

5 Finance Income

	2016 £'000	2015 £'000
Foreign currency exchange differences	1,025	–
Total	**1,025**	–

6 Finance Cost

	2016 £'000	2015 £'000
Bank interest payable	977	773
Amortisation of capitalised finance costs	99	13
Foreign currency exchange differences	–	288
Total	**1,076**	1,074

7 Dividends

	2016 £'000	2015 £'000
Equity dividends paid during the year at 22.32 pence per share (2015: 20.27 pence)	6,892	5,382
Equity dividends proposed after the year end (not recognised as a liability) at 17.00 pence per share (2015: 16.32 pence)	5,298	5,046

A dividend will be declared from Matchtech Group (Holdings) Limited prior to the payment of the proposed dividend above.

8 Parent Company Profit

	2016 £'000	2015 £'000
Profit dealt with in the accounts of the Company:	7,298	3,482

The Company has taken advantage of the exemption in S408 of the Companies Act 2006 not to present the Parent Company's income statement.

9 Taxation

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax	3,606	2,977
Overseas corporation tax	2,153	626
Prior year over provision	(9)	(235)
	5,750	3,368
Deferred tax (Note 14)	(598)	(409)
Income tax expense	**5,152**	2,959

UK corporation tax has been charged at 20.0% (2015: 20.7%).

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

	2016 £'000	2015 £'000
Profit before tax	15,069	11,286
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20.0% (2015: 20.7%)	3,014	2,336
Expenses not deductible for tax purposes	610	386
Irrecoverable withholding tax	1,137	340
Adjustments to tax charge in respect of previous periods	(9)	(235)
Overseas losses not provided for	–	46
Difference between UK and overseas tax rates	400	86
Total tax charge for period	**5,152**	2,959

Tax charge recognised directly in equity:

	2016 £'000	2015 £'000
Deferred tax recognised directly in equity	(185)	174
Total tax recognised directly in equity	**(185)**	174

Future tax rate changes
The 2015 Summer Budget on 8 July 2015 announced that the UK corporation tax rate would reduce to 18% by 2020, a further reduction to 17% was announced on 16 March 2016.

Deferred tax at 31 July 2016 has been calculated based on the rate of 18% substantively enacted at the Statement of Financial Position date.

10 Earnings per Share

Earnings per share has been calculated by dividing the consolidated profit after taxation attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share has been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (arising from the Group's share option schemes) into ordinary shares has been added to the denominator. There are no changes to the profit (numerator) as a result of the dilutive calculation.

	2016 £'000	2015 £'000
Profit after tax attributable to ordinary shareholders	9,917	8,327
Number of shares:	'000s	'000s
Weighted average number of ordinary shares in issue	30,887	26,841
Effect of dilutive potential ordinary shares under option	1,153	1,263
Total	**32,040**	28,104

	2016 pence	2015 pence
Basic earnings per share	32.1	31.0
Diluted earnings per share	31.0	29.6

Notes continued

11 Intangible Assets

Group		Goodwill £'000	Customer relationships £'000	Trade names £'000	Other £'000	Software licences £'000	Total £'000
Cost	At 1 August 2014	1,643	1,600	166	876	951	5,236
	Additions	–	–	–	–	777	777
	Acquisitions	24,808	18,552	4,741	1,560	41	49,702
	At 1 August 2015	26,451	20,152	4,907	2,436	1,769	55,715
	Additions	23	–	–	250	189	462
	Disposals	(380)	–	–	–	–	(380)
	At 31 July 2016	**26,094**	**20,152**	**4,907**	**2,686**	**1,958**	**55,797**
Amortisation	At 1 August 2014	–	453	15	511	553	1,532
	Charge for the year	–	946	511	223	273	1,953
	At 31 July 2015	–	1,399	526	734	826	3,485
	Charge for the year	–	2,097	915	644	285	3,941
	At 31 July 2016	**–**	**3,496**	**1,441**	**1,378**	**1,111**	**7,426**
Net book value	At 31 July 2015	26,451	18,753	4,381	1,702	943	52,230
	At 31 July 2016	**26,094**	**16,656**	**3,466**	**1,308**	**847**	**48,371**

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

Goodwill is allocated to CGUs, which are determined as the reportable segments, as follows:

	2016 £'000	2015 £'000
Professional Services	**1,643**	1,643
Engineering	**4,379**	4,379
Technology	**20,072**	20,429
Total	**26,094**	26,451

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are as follows:

Profit from operations – profit from operations is based on the latest annual forecast approved by the Group's Board of Directors which is prepared using expectations of revenue and operating cost growth.

Discount rates – the pre-tax rate used to discount the forecast Engineering and Technology cash flows was 15.4% (2015: 12.5%). The pre-tax rate used to discount the forecast professional services cash flows was 12.5% (2015: 12.5%).

Growth rates – the long-term growth rates are based on management forecasts which are consistent with external sources at an average growth rate of 2.5% (2015: 2.5%).

Impairment reviews are performed at the year end by comparing the carrying value of goodwill with the recoverable amount of the CGUs to which goodwill has been allocated.

The impairment review determined that there has been no impairment to any of the CGUs. Sensitivity analysis has been performed in assessing recoverable amounts of goodwill by changing key assumptions in growth and discount rates. The sensitivity analysis shows no impairment would be reasonably forseeable under each scenario for any of the CGUs.

Amortisation is charged through administrative expenses in the income statement.

12 Property, Plant and Equipment

Group		Motor vehicles £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost	At 1 August 2014	1,173	823	2,956	4,952
	Additions	–	351	173	524
	Acquisitions	–	94	377	471
	Disposals	(233)	–	(16)	(249)
	At 1 August 2015	940	1,268	3,490	5,698
	Additions	–	58	413	471
	Disposals	(211)	–	(248)	(459)
	At 31 July 2016	**729**	**1,326**	**3,655**	**5,710**
Depreciation	At 1 August 2014	768	270	2,586	3,624
	Charge for the year	102	262	379	743
	Released on disposal	(204)	–	–	(204)
	At 31 July 2015	666	532	2,965	4,163
	Charge for the year	67	340	428	835
	Released on disposal	(182)	–	(231)	(413)
	At 31 July 2016	**551**	**872**	**3,162**	**4,585**
Net book value	At 31 July 2015	274	736	525	1,535
	At 31 July 2016	**178**	**454**	**493**	**1,125**

Included within leasehold improvements is a cost of £215,000 (2015: £215,000) relating to the dilapidations provision (see Note 16).

There were no capital commitments as at 31 July 2016 or 31 July 2015.

13 Investments

	Company	
	2016 £'000	2015 £'000
Investment in Group companies at 1 August	**5,676**	3,403
Acquisition of Networkers	**–**	58,471
Transfer of Networkers to subsidiary company	**–**	(58,471)
Acquisition of non-controlling interest	**–**	650
Movement in investment in Group companies	**1,537**	1,623
Investment in Group companies at 31 July	**7,213**	5,676

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

13 Investments continued

Subsidiary Undertakings

Company	Country of incorporation	Share class	% held	Main activities
Matchtech Group (Holdings) Limited	United Kingdom	Ordinary	100%	Holding
Matchtech Group Management Company Limited	United Kingdom	Ordinary	100%	Non-trading
Matchtech Group (UK) Limited	United Kingdom	Ordinary	99.998%	Provision of recruitment consultancy
Matchtech Engineering Limited	United Kingdom	Ordinary	100%	Non-trading
Matchtech Limited	United Kingdom	Ordinary	100%	Non-trading
Barclay Meade Limited	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Alderwood Education Limited	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Gattaca Solutions Limited	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Connectus Technology Limited	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Gattaca Recruitment Limited	United Kingdom	Ordinary	100%	Non-trading
Matchtech GmbH	Germany	Ordinary	100%	Provision of recruitment consultancy
Matchtech BV	Netherlands	Ordinary	100%	Non-trading
Matchtech Engineering Inc.	USA	Ordinary	100%	Non-trading
Application Services Limited	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Provanis Limited	United Kingdom	Ordinary	100%	Non-trading
Networkers International Limited	United Kingdom	Ordinary	100%	Holding
Networkers International (UK) Limited	England	Ordinary	100%	Provision of recruitment consultancy
Networkers International LLC	United States	Ordinary	100%	Non-trading
Networkers Telecommunications Inc.	United States	Ordinary	100%	Provision of recruitment consultancy
NWI de Mexico S. de R.L. de C.V.	Mexico	Ordinary	100%	Provision of recruitment consultancy
Networkers International South Africa Proprietary Limited	South Africa	Ordinary	87%	Provision of recruitment consultancy
Networkers International (China) Co. Limited	China	Ordinary	100%	Provision of recruitment consultancy
Networkers International (Malaysia) Sdn Bhd	Malaysia	Ordinary	100%	Provision of recruitment consultancy
Networkers International (Canada) Inc.	Canada	Ordinary	100%	Provision of recruitment consultancy
Networkers International Trustees Limited	United Kingdom	Ordinary	100%	Non-trading
The Comms Group Limited	United Kingdom	Ordinary	100%	Holding
CommsResources Limited	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Gattaca Malaysia Sdn Bhd	Malaysia	Ordinary	100%	Provision of recruitment consultancy
Comms Software Limited	United Kingdom	Ordinary	100%	Non-trading
Gattaca de Colombia SAS	Colombia	Ordinary	100%	Provision of recruitment consultancy
Elite Computer Staff Limited	United Kingdom	Ordinary	100%	Non-trading
NWKI FZ LLC (formerly SNS FZ LLC)	Dubai	Ordinary	100%	Provision of recruitment consultancy
Networkers Recruitment Services Limited	United Kingdom	Ordinary	100%	Non-trading
MSB International GmbH	Germany	Ordinary	100%	Provision of recruitment consultancy
NWKI Communications LLC	Dubai	Ordinary	49%	Provision of recruitment consultancy
Networkers Consultancy (Singapore) PTE Limited	Singapore	Ordinary	100%	Provision of recruitment consultancy
Cappo Group Limited	United Kingdom	Ordinary	100%	Holding
Cappo International Limited	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Cappo Qatar LLC	Qatar	Ordinary	49%	Provision of recruitment consultancy
Cappo Inc.	United States	Ordinary	100%	Provision of recruitment consultancy
Networkers Consultoria Em Tecnologia Da Informacao Limitada	Brazil	Ordinary	100%	Non-trading
Networkers International (India) Private Limited	India	Ordinary	100%	Non-trading
Networkers International (Pty) Limited	South Africa	Ordinary	100%	Provision of recruitment consultancy
Kithara Limited	South Africa	Ordinary	100%	Holding

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

Notes continued

14 Deferred Tax

	Asset 2016 £'000	Liability 2016 £'000	Net 2016 £'000	Credited/ (charged) to profit 2016 £'000	Credited/ (charged) to equity 2016 £'000
Share-based payments	675	–	675	(143)	(185)
Depreciation in excess of capital allowances	108	–	108	32	–
Acquired intangibles	–	(4,286)	(4,286)	681	–
Other temporary and deductible differences	186	–	186	28	–
Net deferred tax assets/(liabilities)	969	(4,286)	(3,317)	598	(185)

	Asset 2015 £'000	Liability 2015 £'000	Net 2015 £'000	Credited/ (charged) to profit 2015 £'000	Credited/ (charged) to equity 2015 £'000
Share-based payments	1,003	–	1,003	116	174
Depreciation in excess of capital allowances	76	–	76	(44)	–
Acquired intangibles	–	(4,967)	(4,967)	336	–
Other temporary and deductible differences	158	–	158	1	–
Net deferred tax assets/(liabilities)	1,237	(4,967)	(3,730)	409	174

The movement on the deferred tax asset/(liability) is as shown below:

	Group	
	2016 £'000	2015 £'000
At 1 August	(3,730)	388
Acquired intangibles	–	(4,971)
Acquisitions	–	270
Recognised in income	598	409
Recognised in equity	(185)	174
At end of year	(3,317)	(3,730)

The rate of UK corporation tax applied to deferred tax calculations is 18% (2015: 20%).

15 Trade and Other Receivables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade receivables	98,156	93,872	–	–
Amounts owed by Group companies	–	–	80,335	72,135
Other receivables	887	3,438	–	–
Prepayments	1,768	1,587	–	–
Total	100,811	98,897	80,335	72,135

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

Days' sales outstanding at the year end based upon the preceding three months' revenue were 50.2 days (2015: 49.4 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of recoverability.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £10,407,000 (2015: £10,056,000) which are past due at the reporting date for which the Group has not provided as the Directors do not believe there has been a significant change in credit quality and consider the amounts to be recoverable in full. The Group does not hold any collateral over these balances.

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

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

Ageing of past due but not impaired trade receivables:

	Group	
	2016 £'000	2015 £'000
0-30 days	7,427	7,585
31-60 days	2,046	1,663
61-90 days	744	458
91+ days	190	350
Total	10,407	10,056

Notes continued

15 Trade and Other Receivables continued

Movement in the allowance for doubtful debts:

	Group	
	2016 £'000	2015 £'000
Balance at the beginning of the year	1,235	300
Acquisitions	–	867
Impairment losses (reversed)/recognised	(320)	68
Balance at the end of the year	**915**	1,235

Ageing of impaired trade receivables:

	Group	
	2016 £'000	2015 £'000
Not past due at reporting date	–	319
0-30 days	–	58
31-60 days	1	–
61-90 days	–	–
91+ days	914	858
Total	**915**	1,235

16 Provisions

	Group	
	2016 £'000	2015 £'000
Balance at start of year	626	278
Acquisition	–	364
Provisions released during the year	(24)	(16)
Balance at end of year	**602**	626
Non-current	278	278
Current	324	348
Total	**602**	626

Provisions are included based on the requirement to return leased buildings to their original condition at the end of the lease term, the leases expire between June 2017 and March 2027.

17 Trade and Other Payables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	456	538	–	–
Amounts owed to Group companies	–	–	31,711	8,922
Taxation and social security	5,134	5,415	–	–
Contractor wages creditor	19,087	16,698	–	–
Accruals and deferred income	10,885	14,227	–	–
Provisions	324	348	–	–
Other payables	1,975	336	–	–
Total	**37,861**	37,562	**31,711**	8,922

18 Financial Assets and Liabilities Statement of Financial Position Classification

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

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade and other receivables				
– Loan and receivables	99,043	97,310	80,335	72,135
Cash and cash equivalents				
– Loan and receivables	7,442	3,997	–	–
Total	**106,485**	101,307	**80,335**	72,135

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

	Group	
	2016 £'000	2015 £'000
Current liabilities		
Borrowings		
– Financial liabilities recorded at amortised cost	32,455	37,641
Trade and other payables		
– Financial liabilities recorded at amortised cost	32,403	32,147
Total	**64,858**	69,788

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

On 20 October 2016 the Group extended its banking facilities with HSBC for a further four years until October 2020 with agreed bank facilities of £105m comprising a £75m Invoice Financing Facility and a £30m Revolving Credit Facility. These facilities replaced the previous £95m facilities.

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

The £30m Revolving Credit 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% over HSBC LIBOR rate.

Notes continued

19 Commitments under Operating Leases

At 31 July 2016, the Group had commitments to pay the following amounts under non-cancellable operating leases as set out below:

			Group 2016 £'000	Group 2015 £'000
Land/buildings	Payments falling due:			
		within one year	**1,340**	1,057
		within one to five years	**5,221**	1,157
		after five years	**5,307**	–
Other	Payments falling due:			
		within one year	**300**	269
		within one to five years	**316**	483

20 Share Capital

Authorised share capital

	Company 2016 £'000	Company 2015 £'000
40,000,000 ordinary shares of £0.01 each	**400**	400

Allotted, called up and fully paid:

	Company 2016 £'000	Company 2015 £'000
31,167,000 (2015: 30,922,000) ordinary shares of £0.01 each	**312**	309

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

	Company 2016 '000	Company 2015 '000
In issue at 1 August	**30,922**	24,965
Exercise of share options	**245**	399
Issue of restricted shares	**–**	119
Share placing	**–**	5,439
In issue at 31 July	**31,167**	30,922

Share options

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

	2016 '000s	2015 '000s	Date of grant	Exercise price pence	Exercise period From	Exercise period To
Key share options	**–**	5	1/12/2005	146	1/6/2007	1/12/2015
Target/loyalty share options	**–**	2	1/12/2005	146	1/12/2006	1/12/2015
Deferred share bonus	**–**	6	18/1/2010	1	18/1/2012	18/1/2020
Deferred share bonus	**–**	6	18/1/2010	1	18/1/2013	18/1/2020
Zero priced share option bonus	**1**	1	18/1/2010	1	18/1/2012	18/1/2020
Zero priced share option bonus	**1**	1	18/1/2010	1	18/1/2013	18/1/2020
Zero priced share option bonus	**1**	1	4/2/2011	1	25/1/2013	4/2/2021
Zero priced share option bonus	**1**	2	4/2/2011	1	3/2/2014	4/2/2021
Long term incentive plan options	**9**	23	31/1/2012	1	30/1/2015	31/1/2022
Zero priced share option bonus	**1**	1	31/1/2012	1	30/1/2014	31/1/2022
Zero priced share option bonus	**2**	12	31/1/2012	1	30/1/2015	31/1/2022
Long term incentive plan options	**31**	32	31/1/2013	1	30/1/2016	31/1/2023
Zero priced share option bonus	**4**	4	31/1/2013	1	30/1/2015	31/1/2023
Zero priced share option bonus	**11**	206	31/1/2013	1	30/1/2016	31/1/2023
Long term incentive plan options	**104**	104	24/1/2014	1	24/1/2017	24/1/2024
Deferred share bonus	**10**	10	24/1/2014	1	24/1/2015	24/1/2024
Deferred share bonus	**10**	10	24/1/2014	1	24/1/2016	24/1/2024
Zero priced share option bonus	**11**	51	1/1/2014	1	1/1/2016	1/1/2024
Zero priced share option bonus	**233**	292	1/1/2014	1	1/1/2017	1/1/2024
Zero priced share option bonus	**15**	22	28/1/2015	1	28/1/2017	28/1/2025
Zero priced share option bonus	**108**	137	28/1/2015	1	28/1/2018	28/1/2025
Zero priced share option bonus	**44**	44	30/1/2015	1	30/1/2018	30/1/2025
Zero priced share option bonus	**16**	16	26/6/2015	1	26/6/2018	26/6/2025
Value creation plan	**389**	389	2/7/2015	1	18/11/2016	18/11/2021
Value creation plan	**389**	389	2/7/2015	1	18/11/2017	18/11/2021
Long term incentive plan options	**45**	–	11/2/2016	1	11/2/2019	11/2/2026
Zero priced share option bonus	**76**	–	11/2/2016	1	11/2/2018	11/2/2026
Zero priced share option bonus	**76**	–	11/2/2016	1	11/2/2019	11/2/2026
Long term incentive plan options	**31**	–	11/2/2016	225	11/2/2018	11/2/2026
Long term incentive plan options	**31**	–	11/2/2016	225	11/2/2019	11/2/2026
Total	**1,650**	1,766				

During the year, the Group granted share options under a Long Term Incentive Plan (LTIP) for Executive Directors and for key staff a Zero Priced Share Option Bonus and Long Term Incentive Plan Options. The LTIP options were granted on 11 February 2016 and are subject to an EPS performance target. The zero priced share options were granted on 11 February 2016 to members of staff subject to two and three year holding periods. The Long Term Incentive Plan Options were granted to staff on 11 February 2016 and were subject to two and three year holding periods with a release price of 591.75 pence per share. All share options have a life of 10 years and are equity settled on exercise.

Notes continued

20 Share Capital continued

The movement in share options is shown below:

	2016			2015		
	'000s	Weighted average exercise price (pence)	Weighted average share price (pence)	'000s	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1 August	1,766	1.7	–	2,051	1.7	–
Granted	277	56.0	–	1,074	1.0	–
Forfeited/lapsed	(145)	11.0	–	(986)	1.0	–
Exercised	(248)	4.6	431.0	(373)	1.0	525.0
Outstanding at 31 July	1,650	9.3		1,766	1.7	
Exercisable at 31 July	94	1.0		70	1.3	

The number of share options granted includes the deferred share bonus options.

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

	2016			2015		
Exercise Date	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)
1/1/2016	–	–	–	5	51	1.0
24/1/2016	–	–	–	6	10	1.0
30/1/2016	–	–	–	6	242	1.0
18/11/2016	4	389	1.0	16	389	1.0
1/1/2017	5	233	1.0	17	292	1.0
24/1/2017	6	104	1.0	18	104	1.0
28/1/2017	6	15	1.0	18	22	1.0
18/11/2017	16	389	1.0	28	389	1.0
28/1/2018	18	108	1.0	30	137	1.0
30/1/2018	18	44	1.0	30	44	1.0
11/2/2018	19	107	46.3	–	–	–
26/6/2018	23	16	1.0	35	16	1.0
11/2/2019	31	151	65.2	–	–	–
Total		1,556			1,696	

In addition to the share option schemes, the Group operated a share incentive plan (SIP), which is an HMRC-approved plan available to all employees enabling them to purchase shares out of pre-tax salary. For each share purchased, the Company grants an additional share at no cost.

The fair values of the LTIP options were calculated using the Monte Carlo simulation method along with the assumptions detailed below. The values of the zero price options granted in the year were calculated using the Black Scholes method along with the assumptions as detailed below. The fair values of the SIPS were calculated as the market values on the date of the grant adjusted for the assumptions as detailed below.

Date of grant		Share price on the date of grant (£)	Exercise price (£)	Volatility (%)	Vesting period (yrs)	Dividend yield (%)	Risk free rate of interest (%)	Fair value (£)
1/1/2014	LTIP	5.75	0.01	16.8%	3.00	3.1%	1.2%	5.22
24/1/2014	Zero price option bonus	5.93	0.01	17.0%	3.00	3.0%	1.2%	5.40
28/1/2015	LTIP	5.08	0.01	16.4%	2.00	3.9%	0.7%	4.51
28/1/2015	LTIP	5.08	0.01	16.4%	3.00	3.9%	0.7%	4.51
30/1/2015	Zero price option bonus	5.08	0.01	16.4%	3.00	3.9%	0.6%	4.51
26/6/2015	LTIP	5.49	0.01	16.4%	3.00	3.9%	1.1%	4.90
6/7/2015	SIP	5.58	0.01	N/A	3.00	N/A	N/A	5.58
5/8/2015	SIP	5.81	0.01	N/A	3.00	N/A	N/A	5.81
4/9/2015	SIP	5.64	0.01	N/sA	3.00	N/A	N/A	5.64
5/10/2015	SIP	5.18	0.01	N/A	3.00	N/A	N/A	5.18
3/11/2015	SIP	5.45	0.01	N/A	3.00	N/A	N/A	5.45
8/12/2015	SIP	5.43	0.01	N/A	3.00	N/A	N/A	5.43
5/1/2016	SIP	5.35	0.01	N/A	3.00	N/A	N/A	5.35
5/2/2016	SIP	5.08	0.01	N/A	3.00	N/A	N/A	5.08
11/2/2016	LTIP	4.35	0.01	21.4%	2.00	5.1%	0.4%	1.45
11/2/2016	LTIP	4.35	0.01	21.4%	3.00	5.1%	0.4%	1.45
11/2/2016	LTIP	4.35	2.25	21.4%	2.00	5.1%	0.4%	0.84
11/2/2016	LTIP	4.35	2.25	21.4%	3.00	5.1%	0.4%	0.88
11/2/2016	Zero price option bonus	4.50	0.01	20.9%	3.00	4.9%	0.5%	3.88
7/3/2016	SIP	4.29	0.01	N/A	3.00	N/A	N/A	4.29
14/4/2016	SIP	4.74	0.01	N/A	3.00	N/A	N/A	4.74
10/5/2016	SIP	4.65	0.01	N/A	3.00	N/A	N/A	4.65
6/6/2016	SIP	4.25	0.01	N/A	3.00	N/A	N/A	4.25
5/7/2016	SIP	3.19	0.01	N/A	3.00	N/A	N/A	3.19
5/8/2016	SIP	3.54	0.01	N/A	3.00	N/A	N/A	3.54

The volatility of the Company's share price on each date of grant was calculated as the average of the annualised standard deviations of daily continuously compounded returns on the Company's stock, calculated over five years back from the date of grant, where applicable. The risk-free rate is the yield to maturity on the date of grant of a UK gilt strip, with term to maturity equal to the life of the option. The 2013 LTIP awards are subject to a TSR test – this market-based condition is taken into account in the date of grant fair calculation.

Notes continued

21 Transactions with Directors and Related Parties

During the year, the Group made sales of £370,000 (2015: £114,000) to InHealth Group which is a related party by virtue of the common directorship of Richard Bradford, and sales of £915,000 (2015: £624,000) to the Waterman Group by virtue of common directorship of Ric Piper. As at the year end, Waterman Group has a balance outstanding of £85,000 (2015: £137,000) and InHealth Group has a balance outstanding of £98,000 (2015: £20,000). All transactions were undertaken at an arm's length price.

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

During the year, Matchtech Group (UK) Limited charged Gattaca plc £901,000 (2015: £767,000) for provision of management services. Further details of transactions with directors are included in the Director's Remuneration Report on pages 44 to 63.

22 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 Group financial liabilities analysis at 31 July 2016 was as follows:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
In less than one year or on demand:				
Bank overdrafts	14	14	–	–
Working capital facility	18,939	9,223	–	–
Finance costs capitalised	(106)	(204)	–	–
Bank loans and overdrafts	18,847	9,033	–	–
Trade and other payables	32,403	32,147	–	–
Total	**51,250**	41,180	–	–
More than one year but less than three years:				
Term loan	13,608	28,608	13,608	28,608

Borrowing facilities

The Group makes use of working capital facilities and a term loan, details of which can be found in Note 18. The undrawn facility available at 31 July 2016, in respect of which all conditions precedent had been met, was as follows:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Expiring in one to five years	76,061	57,169	16,392	1,392

The Directors have calculated that the effect on profit of a 1% movement in interest rates would be £450,000 (2015: £420,000).

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

Foreign currency risk

The Group's main foreign currency risk is the short-term risk associated with the trade debtors denominated in US Dollars and Euros relating to the UK operations whose functional currency is Sterling. The risk arises on the difference between exchange rates at the time the invoice is raised to when the invoice is settled by the client. For sales denominated in foreign currency, the Group ensures that direct costs associated with the sale are 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	
	2016 £'000	2015 £'000
US Dollar	10,120	6,821
Euro	4,802	2,720

The effect of a 25c strengthening of the Euro and Dollar against Sterling at the balance sheet date on the Euro and 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 £2,433,000. A 25c weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and reduced net assets by £3,616,000.

Company

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

23 Capital Management Policies and Procedures

Gattaca plc's capital management objectives are:

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

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

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

	Group	
	2016 £'000	2015 £'000
Total equity	81,614	76,537
Cash and cash equivalents	(7,442)	(3,997)
Capital	74,172	72,540
Total equity	81,614	76,537
Borrowings	32,561	37,845
Overall financing	114,175	114,382
Capital to overall financing ratio	65%	63%

24 Alternative Performance Measures

Alternative performance measures are disclosed below to show the adjusted and the pro-forma underlying trading performance of the Group.

The adjusted basis is reported excluding non-recurring items, amortisation of acquired intangibles and results from divested businesses. The underlying basis shows the trading performance of the Group on a pro-forma basis as if Networkers had been owned by the Group for the entire 12 month period.

2016 All amounts in £'000	Statutory basis	Non-recurring costs	Amortisation of acquired intangibles	Divested businesses	Adjusted basis	Pro-forma Networkers results	Pro-forma underlying basis
Revenue	**617,604**	**–**	**–**	**(772)**	**616,832**	**–**	**616,832**
Gross profit	**72,996**	**–**	**–**	**(609)**	**72,387**	**–**	**72,387**
Profit from operations	**15,062**	**2,371**	**3,656**	**408**	**21,497**	**–**	**21,497**

2015 All amounts in £'000	Statutory basis	Non-recurring costs	Amortisation of acquired intangibles	Divested businesses	Adjusted basis	Pro-forma Networkers results	Pro-forma underlying basis
Revenue	502,293	–	–	(6,611)	495,682	108,491	604,173
Gross profit	54,819	–	–	(2,361)	52,458	19,711	72,169
Profit from operations	12,360	2,710	1,680	597	17,347	3,849	21,196

Net Debt

Net debt is calculated as follows:

	Group	
	2016 £'000	2015 £'000
Cash and cash equivalents	**7,442**	3,997
Bank loans and overdrafts	**(32,455)**	(37,641)
Net debt	**(25,013)**	(33,644)

25 Subsequent Events

On 20 October 2016 the Group extended its banking facilities with HSBC for a further four years until October 2020 with agreed bank facilities of £105m comprising a £75m Invoice Financing Facility and a £30m Revolving Credit Facility.

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