GATTACA

3 November 2016

Gattaca plc
Preliminary Results for the year ended 31 July 2016

Gattaca plc ("Gattaca" or the "Group"), the specialist Engineering and Technology (IT & Telecoms) recruitment agency, today announces its Preliminary Results for the year ended 31 July 2016.

Financial Highlights

	2016		2015		**Change**	
	Statutory	Underlying[2]	Statutory	Underlying[2]	Statutory	Underlying[2]
	£m	**£m**	£m	£m	**%**	**%**
Revenue	**617.6**	**616.9**	502.3	622.8	**+23%**	**(1%)**
Net Fee Income (NFI) [1]	**73.0**	**72.4**	54.8	72.2	**+33%**	**+0%**
Profit from operations	**15.1**	**21.4**	12.4	21.2	**+22%**	**+1%**
Profit before tax	**15.1**	**20.4**	11.3	19.7	**+34%**	**+4%**
Basic earnings per share	**32.1p**		31.0p		**+4%**	
Diluted earnings per share	**31.0p**		29.6p		**+5%**	
Final dividend	**17.00p**		16.32p		**+4%**	
Total dividend	**23.00p**		22.00p		**+5%**	
Net debt at end of period	**£25.0m**		£33.6m		**(£8.6m)**	

The following footnotes apply, where indicated, throughout these interim results:
[1] *NFI is calculated as revenue less contractor payroll costs*
[2] *Underlying performance is calculated on a pro-forma basis, as though Networkers had been owned by the Group for the entire prior period. Underlying results exclude the trading and net proceeds of divested businesses (2016: £0.3m loss; 2015: £0.6m loss), acquisitions costs (2016: £nil; 2015: £1.7m), amortisation of acquired intangibles (2016: £3.7m; 2015: £1.7m) and integration and restructuring costs (2016: £2.4m; 2015: £1.0m), exchange gains from revaluation of foreign assets and liabilities (2016: £1.0m; 2015: £0.3m loss) and include implied interest from acquisition funding (2016: nil; 2015 £0.7m).*

Trading and Operational Highlights

- Profits in line with market expectations
  - Strong performance in Engineering, with NFI growth of 6%
  - Technology NFI down 6%. Good growth in Telecoms (+9%) but offset by underperformance in IT (-17%); changes made to market focus and management structure are improving results
- Integration of Networkers nearing completion with £3.1m of synergies identified, to be realised in FY2017
- Reinvestment of £1.8m of synergies made to strengthen the business, including adding international headcount to support and drive forward growth outside the UK.
- Newly created Engineering Technology division, which combined existing Networkers and Matchtech skill sets and targets the "Internet of Things", is already one of our fastest growing businesses
- Full year dividend increased by 5% to 23.0 pence per share (2015: 22.0 pence)

Outlook

- Since entering the new financial year we have a seen a slowdown in trading in the UK with Group NFI in 2017 Q1 forecast to be down 3% on 2016 Q1 (Contract down 2%; Permanent down 7%)
- We are continuing to Invest in our overseas operations which continue to enjoy growth and which will to some extent mitigate the uncertainty around UK economy in the medium term
- Full year effects of Networkers acquisition to come through in FY17, with first concrete sales synergies now being realised

Commenting on the results, Brian Wilkinson, Chief Executive of the Group said:
"I am pleased to report a positive year for the Group, where we delivered solid results, made significant progress on the integration of Networkers and introduced the new Group brand name, Gattaca.

"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 us great confidence in the Company's future prospects."

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Michael Meade / Tom Ballard	

Chairman's Statement

I am delighted to introduce the Group's 2016 Annual Results, 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 on transforming our business into a truly global, specialist recruitment group. While we have further work to undertake in harmonizing 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.

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.

However, the outcome of the vote continues to make the economic outlook uncertain, yet it is still too early to say what its near-term impact will be for Gattaca. Whilst 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.

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.

Outlook

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 pursing 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

Chief Executive's Review

Gattaca - a focused business
2016 has undoubtedly been the most significant year in the company's history since our flotation ten 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)

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.

Engineering Sector
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 R&D investment is high, yet there are acute skills-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 skillsets. 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 Sector
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-focussed, business unit.

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

Going forwards, 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.

Outlook
“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 us great confidence in the Company’s future prospects.”

Brian Wilkinson
Chief Executive Officer

Chief Financial Officer's Review

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 benefitted from a £1.0m revaluation of foreign cash and assets significantly affected by the Sterling devaluation post 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 26.3% to 34.4%. 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.

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.

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

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		
Items that may be classified to profit or loss:		
Exchange differences on retranslation of foreign operations	**835**	(109)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**835**	(109)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,752**	8,218
Attributable to:		
Equity holders of the parent	**10,752**	8,202
Non-controlling interests	**-**	16
	10,752	8,218

Statement 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
IFRS 2 charge	–	–	–	1,623	–	–	–	1,623
Reacquisition of non-controlling interest	–	–	–	–	–	(650)	–	(650)
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	–	(4,754)	–	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)
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	–	(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 interests		**–**	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

GATTACA

Consolidated Cash flow Statement

For the year ended 31 July 2016

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	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 property, 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	**–**	–
Dividends 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

These following standards and amendments to existing standards 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 standards has had no material impact on the financial statements.

New Standards in Issue, Not Yet Effective

The following relevant standards, amendments to existing 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 controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns through its involvement with an entity and it has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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 or incidence and are presented within the consolidated income statement but highlighted through separate disclosure. The Group's Directors consider that these items should be separately identified within the income statement to enable a 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;

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

Residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

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.

Intangible Assets

Customer relationships

Acquired customer relationships comprise principally of 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. Customer relationships are amortised over their useful economic life of between 2 and 10 years.

Trade names and trademarks

Trade names and trademarks have arisen on the consolidation of 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, detailed within the impairment of non-financial assets section below. Trade names and trademarks are stated at cost less accumulated amortisation and impairment. Trade names and trademarks are amortised over their useful economic life of between 2 and 11 years.

Other

Other intangible assets acquired by the Group that have a finite life useful life are measured at cost less accumulated amortisation and accumulated losses. Other intangibles are amortised over their useful economic life of between 2 and 5 years.

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 2 and 5 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 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 defined contribution pension schemes for employees. The assets of these schemes are held separately from those of the Company. The annual contributions payable are charged to the Income Statement as they accrue.

xiv Share-based Payments

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 as at the 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 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.

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, bank overdrafts and working capital facilities.

xx Dividends

Dividend distributions payable to equity shareholders are included in “other short term financial liabilities” when the dividends are approved in the annual 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 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 Judgments

Estimates and assumptions concerning the future and judgments 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 Judgments

The judgments 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 ageing analysis of the trade and other receivables and on management's judgments. Considerable judgment 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.

Intangibles
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 is 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.

GATTACA

2 Segmental 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 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 assets	69,595	24,277	93,872			**93,872**
Unallocated net liabilities						**(17,335)**
Total net assets						**76,537**

A segmental 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 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.

Geographical Information

	Revenue		Non-current assets	
All amounts in £'000	**2016**	2015	**2016**	2015
UK	**586,842**	488,611	**49,940**	54,582
Rest of Europe	**1,378**	1,575	**–**	–
Middle East and Africa	**5,532**	4,298	**227**	199
Americas	**20,594**	6,103	**138**	57
Asia Pacific	**3,258**	1,706	**160**	164
	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)/loss on disposal of property, plant and equipment		**(7)**	(13)
Auditors' 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 exchange differences		**(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 (including Directors) 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 Directors' Remuneration Report contained in the Annual Report and Accounts.

	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

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
The amount of profit dealt within the accounts of the Company is	**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

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

	2016 '000s	2015 '000s
Weighted average number of ordinary shares in issue	**30,887**	26,841
Effect of dilutive potential ordinary shares	**1,153**	1,263
Total	**32,040**	28,104

	2016 pence	2015 pence
Basic	**32.1**	31.0
Diluted	**31.0**	29.6

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
	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 was 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 cashflows 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 foreseeable 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
Investments 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
Capital contribution	**1,537**	1,623
Investments in Group Companies at 31 July	**7,213**	5,676

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

Subsidiary Undertakings

Company	Country of Incorporation	Share Class	% held 2016	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

Company	Country of Incorporation	Share Class	% held 2016	Main Activities
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	United Kingdom	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
Networkers Consultoria Em	Brazil	Ordinary	100%	Non trading

Company	Country of Incorporation	Share Class	% held 2016	Main Activities
Technologia Da Informacao Limiteda				
Networkers International (India) Private Limited	India	Ordinary	100%	Non trading
Kithara Limited	South Africa	Ordinary	100%	Holding

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

The Group consolidates NWKI Communications LLC and Cappo Qatar LLC as subsidiaries in the consolidation due to contractual arrangements in place giving the Group effective control of the entities.

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 net deferred tax (liability)/asset 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 3 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 the 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 credit worthiness 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

Movement in the allowance for doubtful debts:

	Group	
	2016 £'000	2015 £'000
At 1 August	**1,235**	300
Acquisitions	**-**	867
Impairment losses (reversed)/recognised	**(320)**	68
At 31 July	**915**	1,235

Ageing of impaired trade receivables:

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

16 Provisions

	Group	
	2016 £'000	2015 £'000
At 1 August	**626**	278
Acquisition	**-**	364
Provisions released during the year	**(24)**	(16)
At 31 July	**602**	626

Non-current	**278**	278
Current	**328**	348
	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.

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

20 Share Capital

Authorised Share Capital	Company	
	2016 £'000	2015 £'000
40,000,000 Ordinary shares of £0.01 each	**400**	400

Allotted, called up and fully paid:

	Company	
	2016 £'000	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	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:

					Exercise period	
	2016 '000s	2015 '000s	Date of grant	Exercise price pence	From	To
Key Share Options	–	5	01/12/2005	146	01/06/2007	01/12/2015
Target/Loyalty Share Options	–	2	01/12/2005	146	01/12/2006	01/12/2015
Deferred Share Bonus	–	6	18/01/2010	1	18/01/2012	18/01/2020
Deferred Share Bonus	–	6	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	**1**	1	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Option Bonus	**1**	1	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	**1**	1	04/02/2011	1	25/01/2013	04/02/2021
Zero Priced Share Option	**1**	2	04/02/2011	1	03/02/2014	04/02/2021

Bonus						
Long Term Incentive Plan Options	**9**	23	31/01/2012	1	30/01/2015	31/01/2022
Zero Priced Share Option Bonus	**1**	1	31/01/2012	1	30/01/2014	31/01/2022
Zero Priced Share Option Bonus	**2**	12	31/01/2012	1	30/01/2015	31/01/2022
Long Term Incentive Plan Options	**31**	32	31/01/2013	1	30/01/2016	31/01/2023
Zero Priced Share Option Bonus	**4**	4	31/01/2013	1	30/01/2015	31/01/2023
Zero Priced Share Option Bonus	**11**	206	31/01/2013	1	30/01/2016	31/01/2023
Long Term Incentive Plan Options	**104**	104	24/01/2014	1	24/01/2017	24/01/2024
Deferred Share Bonus	**10**	10	24/01/2014	1	24/01/2015	24/01/2024
Deferred Share Bonus	**10**	10	24/01/2014	1	24/01/2016	24/01/2024
Zero Priced Share Option Bonus	**11**	51	01/01/2014	1	01/01/2016	01/01/2024
Zero Priced Share Option Bonus	**233**	292	01/01/2014	1	01/01/2017	01/01/2024
Zero Priced Share Option Bonus	**15**	22	28/01/2015	1	28/01/2017	28/01/2025
Zero Priced Share Option Bonus	**108**	137	28/01/2015	1	28/01/2018	28/01/2025
Zero Priced Share Option Bonus	**44**	44	30/01/2015	1	30/01/2018	30/01/2025
Zero Priced Share Option Bonus	**16**	16	26/06/2015	1	26/06/2018	26/06/2025
Value Creation Plan	**389**	389	02/07/2015	1	18/11/2016	18/11/2021
Value Creation Plan	**389**	389	02/07/2015	1	18/11/2017	18/11/2021
Long Term Incentive Plan Options	**45**	-	11/02/2016	1	11/02/2019	11/02/2026
Zero priced share option bonus	**76**	-	11/02/2016	1	11/02/2018	11/02/2026
Zero priced share option bonus	**76**	-	11/02/2016	1	11/02/2019	11/02/2026
Long Term Incentive Plan Options	**31**	-	11/02/2016	225	11/02/2018	11/02/2026
Long Term Incentive Plan Options	**31**	-	11/02/2016	225	11/02/2019	11/02/2026
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.

The movement in share options is shown below:

	2016			2015		
	Number '000s	**Weighted average exercise price (pence)**	**Weighted average share price (pence)**	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1 August	**1,766**	**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)
01/01/2016	**-**	**-**	**-**	5	51	1.0
24/01/2016	**-**	**-**	**-**	6	10	1.0
30/01/2016	**-**	**-**	**-**	6	242	1.0
18/11/2016	**4**	**389**	**1.0**	16	389	1.0
01/01/2017	**5**	**233**	**1.0**	17	292	1.0
24/01/2017	**6**	**104**	**1.0**	18	104	1.0
28/01/2017	**6**	**15**	**1.0**	18	22	1.0
18/11/2017	**16**	**389**	**1.0**	28	389	1.0
28/01/2018	**18**	**108**	**1.0**	30	137	1.0
30/01/2018	**18**	**44**	**1.0**	30	44	1.0
11/02/2018	**19**	**107**	**46.3**	-	-	-
26/06/2018	**23**	**16**	**1.0**	35	16	1.0
11/02/2019	**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 (£)
01/01/2014	LTIP	5.75	0.01	16.8%	3.00	3.1%	1.2%	5.22
24/01/2014	Zero price bonus	5.93	0.01	17.0%	3.00	3.0%	1.2%	5.40
28/01/2015	LTIP	5.08	0.01	16.4%	2.00	3.9%	0.7%	4.51
28/01/2015	LTIP	5.08	0.01	16.4%	3.00	3.9%	0.7%	4.51
30/01/2015	Zero price bonus	5.08	0.01	16.4%	3.00	3.9%	0.6%	4.51
26/06/2015	LTIP	5.49	0.01	16.4%	3.00	3.9%	1.1%	4.90
06/07/2015	SIP	5.58	0.01	N/A	3.00	N/A	N/A	5.58
05/08/2015	SIP	5.81	0.01	N/A	3.00	N/A	N/A	5.81
04/09/2015	SIP	5.64	0.01	N/A	3.00	N/A	N/A	5.64
05/10/2015	SIP	5.18	0.01	N/A	3.00	N/A	N/A	5.18
03/11/2015	SIP	5.45	0.01	N/A	3.00	N/A	N/A	5.45
08/12/2015	SIP	5.43	0.01	N/A	3.00	N/A	N/A	5.43
05/01/2016	SIP	5.35	0.01	N/A	3.00	N/A	N/A	5.35
05/02/2016	SIP	5.08	0.01	N/A	3.00	N/A	N/A	5.08
11/02/2016	LTIP	4.35	0.01	21.4%	2.00	5.1%	0.4%	1.45
11/02/2016	LTIP	4.35	0.01	21.4%	3.00	5.1%	0.4%	1.45
11/02/2016	LTIP	4.35	0.01	21.4%	2.00	5.1%	0.4%	0.88
11/02/2016	LTIP	4.35	0.01	21.4%	3.00	5.1%	0.4%	0.88
11/02/2016	Zero price bonus	4.50	0.01	20.9%	3.00	4.9%	0.5%	3.88
07/03/2016	SIP	4.29	0.01	N/A	3.00	N/A	N/A	4.29

14/04/2016	SIP	4.74	0.01	N/A	3.00	N/A	N/A	4.74
10/05/2016	SIP	4.65	0.01	N/A	3.00	N/A	N/A	4.65
06/06/2016	SIP	4.25	0.01	N/A	3.00	N/A	N/A	4.25
05/07/2016	SIP	3.54	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.

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	**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 2015 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	
	2015 £'000	2014 £'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/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 intercompany 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

by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in 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 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**	Proforma Networkers results	**Proforma 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**	Proforma Networkers results	**Proforma 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.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 July 2016 or 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2015 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information presented on this web site does not comprise the statutory accounts of Matchtech Group plc for the financial years ended 31 July 2016 and 31 July 2015 but represents extracts from them. These extracts do not provide as full an understanding of the financial performance and position, or financial and investing activities, of the company as the complete Annual Report.