3 April 2019

Gattaca plc
Interim Results for the six months ended 31 January 2019

Gattaca plc ("Gattaca" or the "Group"), the specialist Engineering and Technology recruitment solutions business, today announces its Interim Results for the six months ended 31 January 2019.

Financial Highlights

	2019 H1		2018 H1		**Change**	
	Continuing reported[2]	Continuing underlying[3]	Continuing reported[2]	Continuing underlying[3]	Continuing reported[2]	Continuing underlying[3]
	£m	**£m**	£m	£m	%	%
Revenue	**322.3**	**322.3**	**305.3**	**305.3**	+6%	+6%
Net Fee Income (NFI)[1]	**36.5**	**36.5**	**36.0**	**36.0**	+2%	+2%
EBITDA	**7.6**	**8.4**	**6.9**	**7.4**	+11%	+14%
Profit/(Loss) before tax	**5.4**	**6.8**	**(13.6)**	**6.1**	NA	+12%
Profit/(Loss) after tax	**4.0**	**5.2**	**(13.2)**	**4.8**	NA	+8%
Discontinued Operations	**(3.1)**		**0.0**			
Reported Profit/(Loss) after Tax	**0.9**		**(13.2)**			
Basic earnings per share	**12.5**	**16.0**	**(42.2)**	**14.3**		+12%
Diluted earnings per share	**12.4**	**15.8**	**(41.5)**	**14.0**		+13%
Interim dividend	**0p**		**3.0p**		NA	
Net debt at end of period[4]	**£(27.8)m**		**£(36.2)m**		£8.4m	

The following footnotes apply, unless where otherwise indicated, throughout these Interim Results:

[1] NFI is calculated as revenue less contractor payroll costs

[2] Continuing results exclude the NFI and trading (losses) / profits before taxation of discontinued businesses (2019: £(2.6)m, 2018 £0.9m) comprising Contract Telecoms Infrastructure markets in Africa, Asia and Latin America (some of which was UK sourced) plus our operations in Dubai, Kuala Lumpur and Qatar.

[3] Continuing underlying results exclude the NFI and trading (losses) / profits before taxation of discontinued businesses (2019: £(2.6)m, 2018 £0.9m), non-underlying items within continuing administrative expenses primarily related to restructuring and finance integration (2019: £0.8m, 2018 £0.5m), amortisation of acquired intangibles (2019: £0.6m, 2018 £1.6m), impairment of goodwill and acquired intangibles (2019: £0.0m, 2018 £17.1m) and exchange gains from revaluation of foreign assets and liabilities (2019: £0.0m, 2018 £(0.4)m loss).

[4] Included within Net Debt are Capitalised Financing costs (2019: £0.2m, 2018: £0.3m)

Highlights

- Group continuing NFI grew 2%
- Continued underlying NFI to EBIT conversion at 22%, compared to 19% in prior period
- UK Engineering NFI up 4% on prior year
  - Maritime +25%; Engineering Technology +11% and Infrastructure +7%
  - Growth in both contract and permanent
- UK Technology NFI down 13% on prior year, but restructuring and focus on profitability delivered a higher contribution than prior period
  - IT NFI down 8%,
  - Telecoms NFI down 38%
- International NFI up 15% on prior year
  - Continued growth in the Americas (+6%)

- Strong year on year growth in our restructured offices China and South Africa both showing double digit increases

- Underlying continuing EPS up +12% at 16.0p (2018 H1 14.3p) and underlying Profit After Tax up 8%
- Strong cash flow performance, resulting in net debt reducing to £27.8m (2018 year end £40.9m; 2018 H1 £36.2m)

- Improvement plan launched

Dividend

Interim dividend of nil pence (2018: 3.0 pence), in line with the revised dividend policy communicated in 2018. The Board will consider dividends at the year end, if resumed this would be at modest levels.

Outlook

The Board notes that economic uncertainty, which can impact our industry, has increased over the last six months. Notwithstanding this, trading so far in the third quarter is as expected and we remain confident in our outlook for the full year; we expect results to be in line with the Board's expectations at this time.

Commenting on the results, Kevin Freeguard, Chief Executive Officer said:

"The first half of FY19 has been a period of progress for the Group and we are pleased to be reporting NFI and PBT growth in our continuing operations. Our core UK Engineering business delivered continued growth and the restructuring work we undertook in our UK Technology operations in Q1 has begun to feed through into an improved year-on-year operating contribution. Our restructured and refocused International operations continued to grow strongly and we are pleased with our progress in reducing net debt.

"Building on the fundamental strengths of the business, our improvement plan is now underway and is focussing on the levers for growth, refining sales and market effectiveness, aligning operations to further enhance our delivery capability and innovating to extend our range of market solutions. I am confident that as we continue to execute the plan it will position the company well for the future."

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The information communicated in this announcement contains inside information for the purposes of Article. 7 of the Market Abuse Regulation (EU) No. 596/2014.

Operational Performance

UK Engineering

Underlying NFI	2019 H1	2018 H1	Change
	£'m	£'m	%
Contract	19.4	18.8	+3%
Permanent	5.6	5.4	+5%
Total	25.1	24.2	+4%

UK Engineering growth continued with NFI up 4% on 2018 H1.

Our Maritime division produced NFI growth of 25%, driven by major defence projects such as the QEC, Dreadnought and Type 26, alongside a significant commercial international shipbuilding contract. Demand for engineering personnel within naval defence remains strong.

Engineering Technology, operating in the area of convergence between traditional engineering and IT skill sets, achieved 11% growth due to increasing demand for niche skills across all sectors, particularly defence and rail, alongside technological advances bringing opportunity for greater connectivity and smart infrastructure. We continue to expand our presence in the electric vehicle market, whilst the move towards Connected and Autonomous Vehicles is creating a new transportation landscape, allowing us to maximise our technology presence within this emerging growth sector.

Infrastructure NFI grew 7% year-on-year, despite mixed levels of demand in each vertical. Rail site services experienced a spike in demand during the winter months and in highways increased spend was driven by the Routes to Market initiative and increased funding for smart motorway schemes. The buildings sector saw delays in investment for large private projects and in the water market demand was more tempered as the funding cycle AMP 6 entered its final year.

NFI in our Automotive Division declined 20% reflecting the challenges widely reported within that sector where Original Equipment Manufacturers have closed plants, conducted out of season shutdowns, delayed new car platform releases and have made redundancies. This has affected the supply chain in an already unsettled market where new car sales are in decline and demand from China for prestige brands has slowed.

UK Technology

Underlying NFI	2019 H1	2018 H1	Change
	£'m	£'m	%
Contract	4.9	5.5	-10%
Permanent	1.5	1.9	-22%
Total	6.4	7.4	-13%

The UK Technology division NFI was -13% lower than prior year.

Our telecoms business has undergone a significant restructure, redefining its product offering and client base. A focus on the networks market has already seen traction being gained in the area of Fibre Networks, whilst further focus working at the forefront of future technology within the area of research & innovation also represents scalable and profitable growth opportunities moving forwards.

Within IT the structure has now been aligned to capitalise on growth opportunities, with resource allocated to IT Security, AI & Big Data, Cloud Infrastructure and Software Development roles, with a particular focus on the fintech, digital transformation and defence markets, as well as leveraging off our engineering markets' customer base. The government is investing heavily in the fintech market, looking for the UK to be a post-Brexit market leading provider of disruptive technologies, as well as continuing to invest in the IT Security market to protect our national security and make the UK a leading technology hub. Additionally, the demand for developers and AI specialists continues to outstrip supply and we are partnering with companies via our Alderwood brand to train and develop technology staff to resolve such challenges.

Notwithstanding the reduced NFI, the half year operating contribution from our Technology business has increased from prior half year and the repositioning of these groups of businesses now gives us a good base for future growth.

International

Underlying NFI	2018 H1	2017 H1	Change	Change CC
	£'m	£'m	%	%
Contract	1.3	1.7	-23%	-23%
Permanent	3.7	2.7	+37%	+37%
Total	5.0	4.4	+14%	+15%

Following the previously announced restructuring of our international business, our main international operations are now in the Americas, South Africa and China and in the case of the latter two as well as Mexico a greater emphasis on permanent recruitment.

The Americas achieved growth of 6% driven by our Permanent business.

Whilst the overall America's operation has grown, the growth in the US has been lower than planned. Action has been taken to address this and, we continue to invest to accelerate growth as our chosen markets represent significant opportunities across engineering (energy and infrastructure) and technology (development, security, AI, technology sales and fintech). Such opportunities have seen us strengthen our sales capability in both Texas and Georgia in order to capitalise on them.

Our withdrawal from the telecoms infrastructure contractor markets in Latin America has seen us adapt the structure of, and focus in our Mexico office where we are now targeting the energy and engineering marketplace, whilst in Canada we saw continued growth driven across both contract and permanent recruitment, particularly within development and technology sales skillsets as well as within the fintech and power & transmission markets in particular.

In China and South Africa (as well as for other markets) where we also withdrew from the telecoms infrastructure markets those businesses have repositioned successfully and are both showing double digit growth in their continuing operations. China has focussed on high value permanent business within technology sales, the semiconductor market, automotive and infrastructure, whilst South Africa has grown across contract and permanent within the engineering (energy, mining and infrastructure) and technology (development and leadership) markets.

Global Contractor and Permanent mix

Our sales mix has shifted further towards Permanent Fees, which accounted for 30% of NFI in 2019 H1 (2018 H1: 28%). This is driven primarily by internal factors, the repositioning of our businesses in South Africa and China towards permanent recruitment, as well as successful wins of a number of significant Recruitment Process Outsourcing (Permanent recruitment) agreements within the Maritime and UK Defence markets.

People

Gattaca's permanent FTE headcount at 31 January 2019 was 736, a reduction of 134 from 31 January 2018. Of this reduction in headcount, 74 were due to the cost reduction and operational efficiency initiatives undertaken over the last 12 months, and 60 due to the exit of the international Telco market and office closures. The ratio of sales to support staff was 73:27, an improvement of 2 pts from July 2018 year end.

Improvement Plan

Gattaca is now well positioned in its core markets with its continued focus of providing a full range of solutions for the expanding market requirements for STEM skills. Building on the strong fundamentals of the business, the recently-launched Improvement Plan is focussed on the key levers to accelerate growth for the Group, improving sales and market effectiveness, deepening customer relationships, enhancing our service delivery capability, improving organisational alignment and accelerating our focus on developing and innovating solutions to meet market needs as they change.

The principal elements of the Improvement Plan include:

- Improved client focus, deepening customer relationships
    - Aligned go-to-market plan
    - Selling the full range of our products to our existing customer base and having a more structured approach to new client acquisition

- Innovating and developing products to meet clients' needs.
    - Delivering a consistent product methodology

    - Broader offering to meet evolving requirements

- Enhancing our service delivery capability
    - Expert fulfilment by skill
    - Scaling our unique delivery capability
    - Extending our external talent pools within Engineering and Technology

- Improving organisational alignment and performance
    - Building sales leadership and capability
    - Focus on attracting, developing and retaining our talent
    - Aligning the organisation and upskilling where required to enable the business to scale
    - Further investment in technology and process to improve Group performance through common methodologies

As we continue to execute the Improvement Plan, we are confident it will position the Group well for future growth.

Financial Overview

Revenue for the period was 6% above 2018 H1 at £322.3m (2018 H1: £305.3m).

NFI of £36.5m represented a 2% year on year increase on a continuing reported basis.

Underlying EBITA for the period at £8.4m was 14% higher than 2018 H1 on a continuing reported basis. This reflects the growth in NFI from UK Engineering and International and a lower administrative cost base following headcount actions taken in 2018 H2. The Group conversion ratio (underlying profit from operations as a percentage of NFI) was 22% compared to 19% for 2018 H1 and 18% as reported for the year ended July 2018, a very strong performance reflecting the recent focus on right sizing the cost base of the business. Over time we are confident that the conversion ratio will return to market leading levels.

On an underlying continuing reported basis the effective tax rate was 24.3% (2018 H1 21.9%). The Group's underlying effective tax rate reported at 31 July 2018 was 41%. This reduction in the effective tax rate for the continuing business is a direct result of the withdrawal from Telecoms Infrastructure Contract markets in Africa, Asia and Latin America and the consequent reduction in irrecoverable withholding tax in these markets.

Basic underlying earnings per share from continuing operations were 16.0p (2018 H1 14.3p) and adjusted underlying diluted earnings per share from continuing operations were 15.8p (2018 H1 14.0p).

Administrative Expenses

As the benefits of the cost reduction initiatives implemented in 2018 are realised, underlying administrative expenses in continuing operations were down 2%, or £0.4m, on 2018 H1.

Non-underlying costs

The principle elements of continuing non-underlying costs are as follows:

	£'m
Finance function integration	0.6
Staff redundancies	0.2
Total	**0.8**

Financing Costs

Net financing costs of £1.0m (2018 H1 £1.2m) were £0.2m lower primarily due to a £0.4m reduction in foreign exchange impacts on translation of foreign currency balances within local entities compared to prior year. Bank interest payable was £0.3m higher due to the increased borrowing costs of Group debt following the debt facility refinancing completed in November 2018.

Debtors, cashflow, net debt and financing

The improvement in debtor collections, together with routine seasonal benefits resulted in a reduction of net debt to £27.8m as at 31 January 2019 (2018 H1: £36.2m, 2018 FY: £40.9m).

Capital expenditure in the period of £1.1m (2018 H1: £1.4m) was driven primarily by our investment in software related to our Primary Business Systems initiative where we are replacing our in-house built legacy systems with standardised industry leading third party systems which will enable improvements in productivity, agility and effectiveness.

Our Days Sales Outstanding ('DSO'), stands at 46 days, an improvement from 31 July 2018 (52 days). This development represents an improvement of approximately £14.0m in working capital. However, this is partly offset by a decline in contractor payroll liabilities resulting in a net continuing underlying working capital improvement of £6.5m (2018 H1: £5.8m). In addition to this, the discontinued business contributed a positive cashflow of £3.5m as the costs of closure were offset by the positive impact unwinding working capital. The reduction of net debt remains a key priority and we continue to seek changes in our business practice and effectiveness to improve working capital.

Dividend

We remain committed to reducing net debt to less than 2x EBITDA on an annualised basis and therefore the Board is not declaring an interim dividend (2018: 3.0 pence). The Board will consider dividends at the year end. If resumed this would be at modest levels.

Risks

The Board considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigations were disclosed on pages 21, 22 and 23 of the Annual Report for the year ended 31 July 2018.

We continue to manage a number of potential risks and uncertainties including contingent liabilities as noted in the interim accounts - many of which are common to other similar businesses - which could have a material impact on our longer-term performance.

Outlook

The Board notes that economic uncertainty, which can impact our industry, has increased over the last six months. Notwithstanding this, trading so far in the third quarter is as expected and we remain confident in our outlook for the full year; we expect results to be in line with the Board's expectations at this time.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 31 January 2019

	Note	6 months to 31/01/19 unaudited Total	6 months to 31/01/18 unaudited Total	12 months to 31/07/18 Total
CONTINUING OPERATIONS		**£'000**	**£'000**	**£'000**
Revenue	2	**322,339**	305,284	631,329
Cost of Sales		**(285,796)**	(269,297)	(559,930)
GROSS PROFIT	2	**36,543**	35,987	71,399
Administrative expenses		**(30,073)**	(48,347)	(96,684)
PROFIT/(LOSS) FROM OPERATIONS	2	**6,470**	(12,360)	(25,285)
Finance income		**57**	25	198
Finance costs		**(1,082)**	(1,221)	(1,652)
PROFIT/(LOSS) BEFORE TAXATION		**5,445**	(13,556)	(26,739)
Taxation	3	**(1,401)**	346	(375)
PROFIT/(LOSS) AFTER TAXATION FROM CONTINUING OPERATIONS		**4,044**	(13,210)	(27,114)
DISCONTINUED OPERATIONS				
(Loss)/profit for the period from discontinued operations (attributable to equity holders of the company)		**(3,116)**	48	38
PROFIT/(LOSS) FOR THE PERIOD		**928**	**(13,162)**	**(27,076)**
Attributable to:				
Equity holders of the parent		**928**	(13,381)	(27,351)
Non-controlling interests		**-**	219	275
		928	(13,162)	(27,076)

EARNINGS PER ORDINARY SHARE				
		pence	**pence**	**pence**
Basic earnings per share	5	**2.9**	(42.0)	(85.3)
Diluted earnings per share	5	**2.8**	(41.3)	(85.3)

	6 months to 31/01/19 unaudited Total	6 months to 31/01/18 unaudited Total	12 months to 31/07/18 Total
	£'000	£'000	£'000
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	6,470	(12,360)	(25,285)
Add			
Depreciation of property, plant and equipment and amortisation of software and software licences	522	507	993
Non-underlying items included within administrative expenses	758	476	1,676
Amortisation and impairment of acquired intangibles	632	18,737	36,011
Underlying EBITDA	8,382	7,360	13,395
Less			
Depreciation of property, plant and equipment and amortisation of software and software licences	(522)	(507)	(993)
Net finance costs excluding foreign exchange differences	(1,043)	(753)	(1,540)
Underlying profit before taxation	6,817	6,100	10,862
Underlying taxation	(1,662)	(1,335)	(3,380)
Underlying profit after taxation from continuing operations	5,155	4,765	7,482
Underlying (loss)/profit after taxation for the period from discontinued operations	(3,116)	48	38
Underlying profit after taxation for the period	**2,039**	**4,813**	**7,520**

EARNINGS PER ORDINARY SHARE	**Pence**	**Pence**	**Pence**
Basic earnings per share from underlying continuing operations	**16.0**	14.3	22.5
Diluted earnings per share from underlying continuing operations	**15.8**	14.0	22.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 January 2019

	6 months to 31/01/19 *unaudited* £'000	6 months to 31/01/18 *unaudited* £'000	12 months to 31/07/18 £'000
PROFIT/(LOSS) FOR THE PERIOD	**928**	(13,162)	(27,076)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Exchange differences on translating foreign operations	**(1,600)**	(1,008)	(734)
OTHER COMPREHENSIVE (LOSS) FOR THE PERIOD	**(1,600)**	(1,008)	(734)
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD	**(672)**	(14,170)	(27,810)
Attributable to:			
Continuing operations	**2,444**	(14,218)	(27,848)
Discontinuing operations	**(3,116)**	48	38
	(672)	(14,170)	(27,810)
Attributable to:			
Equity holders of the parent	**(672)**	(14,389)	(28,085)
Non-controlling interests	**-**	219	275
	(672)	(14,170)	(27,810)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 January 2019

	Note	31/01/2019 *unaudited*	31/01/2018 *unaudited*	31/07/2018
ASSETS		**£'000**	**£'000**	**£'000**
Non-Current Assets				
Intangible assets	6	**16,504**	33,059	16,349
Property, plant and equipment		**3,409**	3,420	3,620
Deferred tax assets		**178**	773	135
		20,091	37,252	20,104
Current Assets				
Trade and other receivables	7	**90,039**	103,523	112,912
Cash and cash equivalents		**13,479**	10,418	9,758
		103,518	113,941	122,670
TOTAL ASSETS		**123,609**	151,193	142,774
LIABILITIES				
Non-Current Liabilities				
Deferred tax liability		**(1,519)**	(2,565)	(1,636)
Provisions		**(2,535)**	(1,603)	(1,390)
Bank loans and borrowings		**(14,825)**	(20,399)	(14,931)
		(18,879)	(24,567)	(17,957)
Current Liabilities				
Trade and other payables		**(30,295)**	(35,141)	(40,850)
Current tax liability		**(1,460)**	(255)	(1,247)
Bank loans and borrowings		**(26,409)**	(26,199)	(35,701)
		(58,164)	(61,595)	(77,798)
TOTAL LIABILITIES		**(77,043)**	(86,162)	(95,755)
NET ASSETS		**46,566**	65,031	47,019
EQUITY				
Share capital	8	**323**	322	323
Share premium		**8,706**	8,706	8,706
Merger reserve		**28,750**	28,750	28,750
Share-based payment reserve		**1,135**	1,051	1,074
Translation reserve		**(1,301)**	25	299
Retained earnings		**8,953**	23,736	7,867
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		**46,566**	62,590	47,019
Non-controlling interests		**-**	2,441	-
TOTAL EQUITY		**46,566**	65,031	47,019

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 January 2019

	Note	6 months to 31/01/19 *unaudited*	6 months to 31/01/18 *unaudited*	12 months to 31/07/18
		£'000	**£'000**	**£'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) after taxation		**928**	(13,162)	(27,076)
Adjustments for:				
Depreciation amortisation		**1,166**	2,137	3,718
Loss/(profit) on disposal of property, plant and equipment		**67**	(7)	(14)
Impairment of acquired intangibles		**-**	17,122	33,320
Interest income		**(57)**	(25)	(198)
Interest expense		**1,082**	1,222	1,652
Taxation expense recognised in profit and loss		**1,909**	480	2,217
Decrease in trade and other receivables		**22,632**	11,474	2,326
(Decrease)/increase in trade and other payables		**(10,555)**	(3,856)	1,860
Increase/(decrease) in provisions		**1,145**	-	(206)
Share based payment charge		**216**	73	324
Cash generated from operations		**18,533**	15,458	17,923
Interest paid		**(1,082)**	(710)	(1,537)
Interest received		**41**	25	112
Taxation paid		**(1,615)**	(2,280)	(3,648)
NET CASH FROM OPERATING ACTIVITES		**15,877**	12,493	12,850
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of plant and equipment		**(161)**	(1,280)	(1,853)
Purchase of intangibles		**(950)**	(153)	(899)
Acquisitions of non-controlling interest		**-**	-	(3,552)
Proceeds from sale of plant and equipment		**-**	35	67
NET CASH (USED IN) INVESTING ACTIVITIES		**(1,111)**	(1,398)	(6,237)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital		**-**	6	7
Repayment of term loan		**-**	-	(5,714)
Working capital facility (repaid)/utilised		**(9,275)**	441	10,166
Finance costs paid		**(106)**	-	(25)
Dividends paid		**-**	(5,474)	(6,441)
NET CASH (USED IN) FINANCING ACTIVITIES		**(9,381)**	(5,027)	(2,007)
Effects of exchange rates on cash and cash equivalents		**(1,664)**	(1,452)	(650)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,721**	4,616	3,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**9,758**	5,802	5,802
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**13,479**	10,418	9,758
NET INCREASE IN CASH AND CASH EQUIVALENTS FOR DISCONTINUED OPERATIONS	9	3,508	(115)	101

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 January 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
Balance at 1 August 2017	**318**	**8,704**	**28,750**	**1,415**	**1,033**	**42,260**	**2,222**	**84,702**
(Loss)/profit for the period	-	-	-	-	-	(13,381)	219	(13,162)
Other comprehensive expenses	-	-	-	-	(1,008)	-	-	(1,008)
Total comprehensive expenses	-	-	-	-	(1,008)	(13,381)	219	(14,170)
Dividends in the period	-	-	-	-	-	(5,474)	-	(5,474)
Deferred tax movement re share options	-	-	-	-	-	(106)	-	(106)
IFRS 2 charge	-	-	-	73	-	-	-	73
IFRS 2 reserves transfer	-	-	-	(437)	-	437	-	-
Shares issued	4	2	-	-	-	-	-	6
Transactions with owners	4	2	-	(364)	-	(5,143)	-	(5,501)
Balance at 31 January 2018	**322**	**8,706**	**28,750**	**1,051**	**25**	**23,736**	**2,441**	**65,031**
Balance at 1 August 2017	**318**	**8,704**	**28,750**	**1,415**	**1,033**	**42,260**	**2,222**	**84,702**
(Loss)/Profit for the period	-	-	-	-	-	(27,351)	275	(27,076)
Other comprehensive expenses	-	-	-	-	(734)	-	-	(734)
Total comprehensive expenses	-	-	-	-	(734)	(27,351)	275	(27,810)
Dividends paid in the period	-	-	-	-	-	(6,441)	-	(6,441)
Deferred tax movement re share options	-	-	-	-	-	(211)	-	(211)
Acquisition of non-controlling interest	-	-	-	-	-	-	(3,552)	(3,552)
Non-controlling interest transfer	-	-	-	-	-	(1,055)	1,055	-
IFRS 2 charge	-	-	-	324	-	-	-	324
IFRS 2 reserves transfer	-	-	-	(665)	-	665	-	-
Shares issued	5	2	-	-	-	-	-	7
Transactions with owners	5	2	-	(341)	-	(7,042)	(2,497)	(9,873)
Balance at 31 July 2018	**323**	**8,706**	**28,750**	**1,074**	**299**	**7,867**	**-**	**47,019**
Balance at 1 August 2018	**323**	**8,706**	**28,750**	**1,074**	**299**	**7,867**	**-**	**47,019**
Profit for the period	-	-	-	-	-	928	-	928
Other comprehensive expenses	-	-	-	-	(1,600)	-	-	(1,600)
Total comprehensive expenses	-	-	-	-	(1,600)	928	-	(672)
Deferred tax movement re share options	-	-	-	-	-	3	-	3
IFRS 2 charge	-	-	-	216	-	-	-	216
IFRS 2 reserves transfer	-	-	-	(155)	-	155	-	-
Transactions with owners	-	-	-	61	-	158	-	219
Balance at 31 January 2019	**323**	**8,706**	**28,750**	**1,135**	**(1,301)**	**8,953**	**-**	**46,566**

Notes forming part of the financial statements

1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

i The Business of the Group

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

ii Basis of preparation of interim financial information

These condensed consolidated interim financial statements are for the six months ended 31 January 2019. They have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 July 2018 which have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 July 2018 or are expected to be adopted and effective at 31 July 2018.

These financial statements have been prepared under the historical cost convention. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed interim financial statements. A summary of the principal accounting policies of the Group are 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 historic and current industry knowledge, taking future strategy of the Group into account. As a result, at the time of approving the Financial Statements, the Directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future and in compliance with key financial covenants, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements. As with all business forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

iv New standards and interpretations

IFRS 15 'Revenue from contracts with customers'
During 2014 the International Accounting Standards Board (IASB) issued IFRS 15 'Revenue from contracts with customers', which has become effective from 1 August 2018 for the Group.

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

The following revenue streams are accounted for as follows:

Temporary placements

Revenue from temporary placements is recognised at the point in time when the candidate provides services. The Group has assessed its use of third party providers to supply candidates under the agent or principal criteria and has determined that it is the principal on the grounds that it retains primary responsibility for provision of the services. Under IFRS 15, the timing and amount of revenue recognition is expected to be materially unchanged.

A number of rebate arrangements are in place in respect of volume and value of sales; these are accounted for as variable consideration and estimated in line with IFRS 15. In addition, consideration payable to customers has been capitalised and amortised over the term of the contracts it relates to; this is accounted for as a reduction to the transaction price.

Permanent placements
Revenue from permanent placements is recognised at the point in time when the candidate commences employment, with 'claw-back' provisions provided for. Under IFRS 15, the timing and amount of revenue recognition is expected to be materially unchanged.

Provision of engineering services
Revenue from provision of engineering services is recognised over the period of the contract, on completion of work in line with milestones per contracts or approved timesheets.

IFRS 9 'Financial Instruments'
IFRS 9 'Financial instruments' is effective for the Group from 1 August 2018. The new standard sets out requirements for recognising and measuring financial assets and financial liabilities.

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

Classification and measurement

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

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

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

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

The Group has chosen to take advantage of the practical expedient in IFRS when assessing default rates over its portfolio of trade receivables, to estimate the ECL based on historical default rates specific to groups of customers by industry and geography. Separate ECL's have been modelled for UK construction customers, rest of UK customers, and customers in Americas, Europe, Asia and Africa.

Cash and cash equivalents are held with financial institutions. The Group has determined that based on the external credit ratings of counterparties, it has very low credit risk and that the estimated ECL is not material.

At each reporting date, the ECL is reviewed to reflect changes in credit risk and adjustments made where necessary.

New Standards in issue, not yet effective

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

Adoption of IFRS 16 is expected to result in changes to the Group's Consolidated Financial Statements. Under IFRS 16, certain lease commitments could be accounted for 'on-balance sheet', with recognition of a lease liability and corresponding right-of-use assets. Under IFRS 16, the operating lease charge would be replaced by a depreciation charge that, whilst lower over the life of the lease than the current operating lease charge. Rental expenses will also be accounted for as finance costs rather than within operating expenses.

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

Forthcoming requirements

The following are new standards or improvements to existing standards that are mandatory for the first time in the Group's accounting period beginning on 1 August 2018 and no new standards have been early adopted. The Group's 31 January 2019 interim financial statements have adopted these amendments to IFRS, none of which had any material impact on the Group's results or financial position:

Standard		Effective date (Annual periods beginning on or after)
IFRS 2	Share-based payments	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 Amendments	Revenue from Contracts with Customers	1 January 2018
Annual Improvements to IFRSs 2016		1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

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

Standard		Effective date (Annual periods beginning on or after)
IFRS 9 Amendments	Financial Instruments	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRSs 2017		1 January 2019

v Basis of consolidation

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

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

Acquisition-related costs are expensed as incurred.

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

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

For contract labour rebates, the Group recognise the rebates at the same time as revenue, in line with the terms of temporary placements. For cash and volume rebates, the Group estimates how much variable consideration is expected to be received either by expected value based on probability weighted averages or most likely amount.
The Group capitalises consideration payable to customers as prepayments and amortises these over the terms of the contract they relate to as a reduction to revenue.

Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment, at which point it is probable that the economic benefits associated with the transaction will be transferred. Permanent placements made are subject to a 'claw-back' period whereby if a candidate leaves within a set period of starting employment, the client may be entitled to a rebate subject to the Group's terms and conditions. Based on historical experience and data, claw-backs are infrequent but where material, a provision for potential refunds is made.

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

vii Non-underlying items

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

Items which are included within this category include:

•costs of acquisitions;

•integration costs following acquisitions; and

•significant restructuring costs including related professional fees and staff costs.

Property, Plant and Equipment

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

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

Motor vehicles	25.0%	Reducing balance
Fixtures, Fittings and equipment	33.0%	Straight line
Leasehold Improvements	Over the period of the lease term	Straight line

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

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

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

viii Intangible assets

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

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

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

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

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

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

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

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

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

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

ix 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.

x Operating lease agreements

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

xi Taxation

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

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

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

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

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

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

xii Pension costs

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

xiii Share-based payments

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

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

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

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.

xiv Business Combinations Completed Prior to Date of Transition to IFRS

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

xv 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.
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.

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 de-recognition. 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 de-recognition 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.

xvi 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.

xvii Financial instruments

Classification
From 1 August 2018, the Group classifies its financial assets in the following measurement categories:
(i) those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
(ii) those to be measured at amortised cost

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

Debt Instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

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

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

Equity Instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 August 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. For trade receivables, the Group has chosen to take advantage of the practical expedient to assess its trade receivables as a portfolio, segregating the total into groups that carry similar risks, and then applying a credit risk based on historical default rates in that portfolio.

xviii Cash and cash equivalents

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

xix Provisions

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

xx Dividends

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

xxi Foreign currencies

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

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

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

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

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

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 Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

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

Key sources of estimation uncertainty

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

Provisions in respect of recoverability of trade receivables

The Group's policy for default risk over receivables is based on the on-going evaluation of the collectability and ageing analysis of trade and other receivables. Considerable judgment is required in assessing the ultimate realisation of these receivables, including reviewing the potential likelihood of default, the past collection history of each customer and the current economic conditions.

Valuation of goodwill and intangible assets

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

2 SEGMENTAL INFORMATION

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

6 months to 31 January 2019

unaudited All amounts in £'000	UK Engineering	UK Technology	International	Underlying continuing	Non-underlying items and amortisation and impairment of acquired intangibles	Discontinued Operations	**Group Total**
Revenue	248,167	61,538	12,634	322,339	-	12,139	**334,478**
Gross profit	25,061	6,400	5,082	36,543	-	1,639	**38,182**
Operating contribution	13,524	2,719	1,117	17,360	-	685	**18,045**
Depreciation and amortisation	(401)	(101)	(20)	(522)	(632)	(12)	**(1,166)**
Central overheads	(7,058)	(1,249)	(671)	(8,978)	(758)	(3,280)	**(13,016)**
Profit from operations	6,065	1,369	426	7,860	(1,390)	(2,607)	**3,863**
Finance cost, net				(1,043)	18	(1)	**(1,026)**
Profit/(loss) before taxation				**6,817**	**(1,372)**	**(2,608)**	**2,837**

6 months to 31 January 2018

unaudited All amounts in £'000	UK Engineering	UK Technology	International	Underlying continuing	Non-underlying items and amortisation and impairment of acquired intangibles	Discontinued Operations	**Group Total**
Revenue	229,647	59,121	16,516	305,284	-	18,014	**323,298**
Gross profit	24,179	7,390	4,418	35,987	-	3,779	**39,766**
Operating contribution	12,484	2,369	1,063	15,916	-	2,842	**18,758**
Depreciation and amortisation	(378)	(101)	(28)	(507)	(18,737)	(15)	**(19,259)**
Central overheads	(5,914)	(1,991)	(651)	(8,556)	(476)	(1,952)	**(10,984)**
Profit from operations	6,192	277	384	6,853	(19,213)	875	**(11,485)**
Finance cost, net				(753)	(443)	(1)	**(1,197)**
Profit/(loss) before taxation				**6,100**	**(19,656)**	**874**	**(12,682)**

2 SEGMENTAL INFORMATION (CONTINUED)

Year to 31 July 2018

All amounts in £'000	UK Engineering	UK Technology	International	Underlying continuing	Non-underlying items and amortisation and impairment of acquired intangibles	Discontinued Operations	**Group Total**
Revenue	493,001	105,580	32,748	631,329	-	36,215	**667,544**
Gross profit	49,144	12,881	9,374	71,399	-	7,464	**78,863**
Operating contribution	25,467	5,100	2,723	33,290	-	5,174	**38,464**
Depreciation and amortisation	(771)	(170)	(52)	(993)	(36,011)	(34)	**(37,038)**
Central overheads	(12,068)	(5,199)	(2,628)	(19,895)	(1,676)	(3,260)	**(24,831)**
Profit from operations	12,628	(269)	43	12,402	(37,687)	1,880	**(23,405)**
Finance cost, net				(1,540)	86		**(1,454)**
Profit /(loss) before taxation				**10,862**	**(37,601)**	**1,880**	**(24,859)**

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

Geographical information

All amounts in £'000	**Revenue**			**Non-current assets**		
	6 months to 31/01/19	6 months to 31/01/18	12 months to 31/07/18	**6 months to 31/01/19**	6 months to 31/01/18	12 months to 31/07/18
UK	**320,587**	294,990	608,540	**19,898**	36,630	19,794
Rest of Europe	**1,257**	334	2,824	**2**	2	2
Middle East and Africa	**1,321**	7,408	14,588	**11**	212	63
Americas	**10,503**	11,878	25,280	**165**	172	139
Asia Pacific	**810**	8,688	16,312	**15**	236	106
Total	**334,478**	323,298	667,544	**20,091**	37,252	20,104

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

3 TAXATION

Analysis of charge in the period for continuing operations

	6 months to 31/01/19 *unaudited* £'000	6 months to 31/01/18 *unaudited* £'000	12 months to 31/07/18 £'000
Profit/(loss) before tax for continuing operations	**5,445**	(13,556)	(26,739)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**1,035**	(2,576)	(5,080)
Expenses not deductible for tax purposes and goodwill impairment loss	**77**	2,035	4,219
Effect of share-based payments	**78**	-	(12)
Irrecoverable withholding tax	**55**	3	77
Overseas losses not recognised as deferred tax assets	**195**	88	119
Difference between UK and overseas tax rates	**(39)**	59	(14)
Adjustment to tax charge in respect of previous periods	**-**	45	1,066
Total taxation charge for the period for continuing operations	**1,401**	(346)	375
Total taxation charge for the period for discontinued operations	**508**	**826**	**1,841**

4 DIVIDENDS

Dividends on shares classed as equity:

	6 months to 31/01/19 *unaudited* £'000	6 months to 31/01/18 *unaudited* £'000	12 months to 31/07/18 £'000
Paid during the period	**-**	5,474	6,441

5 EARNINGS PER SHARE

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

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

		6 months to 31/01/19	6 months to 31/01/18	12 months to 31/07/18
		unaudited	*unaudited*	
Total Earnings		**£'000**	**£'000**	**£'000**
Total profit /(loss) for the period		**928**	(13,381)	(27,351)
Number of Shares		**£'000**	**£'000**	**£'000**
Weighted average number of ordinary shares in issue		**32,257**	31,857	32,079
Effect of dilutive potential ordinary shares under option		**327**	522	-
		32,584	32,379	32,079
Total Earnings per Share		**Pence**	**Pence**	**Pence**
Earnings per ordinary share	-Basic	2.9	(42.0)	(85.3)
	-Diluted	2.8	(41.3)	(85.3)
Earnings for Continuing Operations		**£'000**	**£'000**	**£'000**
Total profit /(loss) for the period		4,044	(13,429)	(27,389)
Total Earnings per Share for continuing operations		**Pence**	**Pence**	**Pence**
Earnings per ordinary share from continuing operations	-Basic	12.5	(42.2)	(85.4)
	-Diluted	12.4	(41.5)	(85.4)
Earnings for Discontinuing Operations		**£'000**	**£'000**	**£'000**
Total (loss)/profit for the period		(3,116)	48	38
Total Earnings per Share for discontinuing operations		**Pence**	**Pence**	**Pence**
Earnings per ordinary share from discontinuing operations	-Basic	(9.7)	0.2	0.1
	-Diluted	(9.6)	0.1	0.1

6 INTANGIBLES

		Good will £'000	Acquired intangibles £'000	Software and Software licences £'000	Total £'000
COST	At 1 August 2017	28,739	31,380	2,470	62,589
	Additions	-	-	165	165
	At 31 January 2018	28,739	31,380	2,635	62,754
	At 1 August 2017	28,739	31,380	2,470	62,589
	Additions	-	-	899	899
	At 1 August 2018	28,739	31,380	3,369	63,488
	Additions	-	20	930	950
	At 31 January 2019	**28,739**	**31,400**	**4,299**	**64,438**
AMORTISATION					
	At 1 August 2017	-	9,389	1,398	10,787
	Amortisation charge for the period	-	1,615	171	1,786
	Impairment loss	10,824	6,298	-	17,122
	At 31 January 2018	10,824	17,302	1,569	29,695
	At 1 August 2017	-	9,389	1,398	10,787
	Amortisation charge for the period	-	2,691	341	3,032
	Impairment	21,779	11,541	-	33,320
	At 1 August 2018	21,779	23,621	1,739	47,139
	Amortisation charge for the period	-	632	163	795
	At 31 January 2019	**21,779**	**24,253**	**1,902**	**47,934**
NET BOOK VALUE	At 31 January 2018	17,915	14,078	1,066	33,059
	At 31 July 2018	6,960	7,759	1,630	16,349
	At 31 January 2019	**6,960**	**7,147**	**2,397**	**16,504**

7 TRADE AND OTHER RECEIVABLES

	31/01/2019 *unaudited* £'000	31/01/2018 *unaudited* £'000	31/07/2018 £'000
Trade receivables	**74,836**	82,104	81,773
Other receivables	**1,750**	635	1,351
Corporation taxation receivable	**-**	-	241
Accrued income	**11,674**	18,824	27,947
Prepayments	**1,779**	1,960	1,600
	90,039	103,523	112,912

Included in the Group's trade receivable balance are debtors with a carrying amount of £15,259,000 (31 January 2018: £15,772,000, 31 July 2018: £14,162,000) which are past due at the reporting date, for which the Group has not provided for, 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 Directors consider all trade receivables not past due to be fully recoverable.

Ageing of overdue but not impaired trade receivables:

	31/01/2019 *unaudited* £'000	31/01/2018 *unaudited* £'000	31/07/2018 £'000
0-30 days	**8,838**	9,384	8,243
30-60 days	**3,119**	2,648	3,027
60-90 days	**2,010**	1,618	1,628
90+ days	**1,292**	2,122	1,264
	15,259	15,772	14,162

8 SHARE CAPITAL

Authorised share capital	31/01/2019 *unaudited* £'000	31/01/2018 *unaudited* £'000	31/07/2018 £'000
40,000,000 Ordinary shares of £0.01 each	**400**	400	400

Allotted, called up and fully paid	31/01/2019 *unaudited* £'000	31/01/2018 *unaudited* £'000	31/07/2018 £'000
Ordinary shares of £0.01 each	**323**	322	323

8 SHARE CAPITAL (CONTINUED)

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

	'000
In issue at 1 August 2017	31,801
Exercise of share options	397
In issue at 31 January 2018	32,198
In issue at 1 August 2017	31,801
Exercise of share options	455
In issue at 31 July 2018	32,256
In issue at 1 August 2018	32,256
Exercise of share options	16
In issue at 31 January 2019	**32,272**

9 Discontinued operations

On 4 September 2018 the Group announced that it was withdrawing from the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as its operations in Dubai, Malaysia and Qatar. As a result, discontinued operations are disclosed separately on the Condensed Consolidated Income Statement and related notes.

Other disclosure for discontinued operations are presented below:

Cashflow from discontinued operations

	31/01/2019 *unaudited* £'000	**31/01/2018** *unaudited* £'000	**31/07/2018** £'000
Net cash flow from operating activities	3,597	199	34
Net cash (used in) investing activities	(57)	-	-
Net cash (used in)/generated from financing activities	-	(280)	19
Effects of exchange rates on cash and cash equivalents	(32)	(34)	48
Net change in cash and cash equivalents from discontinued operations	**3,508**	(115)	101

10 Contingent liabilities

As previously announced, the Group is cooperating with the United States Department of Justice regarding certain factual enquiries. The Group is not currently in a position to ascertain whether this line of enquiry could lead to any liabilities for the Company or its subsidiaries.

11 Statement of Directors' Responsibilities

The Directors' confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair view of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

-an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

-material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.