27 March 2020

Gattaca plc

("Gattaca" or "the Group")

Interim Results for the six months ended 31 January 2020

Gattaca plc, the specialist Engineering and Technology (IT & Telecoms) recruitment solutions business, today announces its Interim Results for the six months ended 31 January 2020.

Financial Highlights

	2020 H1		2019 H1			
	Continuing reported	**Continuing underlying**[2]	Continuing reported	Continuing underlying	Continuing reported	**Continuing underlying**
	£m	**£m**	£m	£m	%	**%**
Revenue	**297.9**	**297.9**	322.3	322.3	(7.6)%	**(7.6)%**
Net Fee Income (NFI)[1]	**32.2**	**32.2**	36.5	36.5	(11.9)%	**(11.9)%**
EBITDA	**5.0**	**5.2**	7.6	8.4	(34.4)%	**(38.5)%**
Profit/(Loss) before tax	**0.8**	**2.7**	5.4	6.8	(85.1)%	**(59.7)%**
Profit/(Loss) after tax	**0.2**	**1.8**	4.0	5.2	(96.0)%	**(64.2)%**
Discontinued Operations	**(0.8)**		(3.1)		n.a.	
Reported Profit/(Loss) after Tax	**(0.6)**		0.9		n.a.	
Basic earnings per share	**0.5**	**5.7**	12.5	16.0	(96.0)%	**(64.2)%**
Diluted earnings per share	**0.5**	**5.5**	12.4	15.8	(96.0)%	**(64.9)%**
Interim dividend	**0p**		0p			
Net debt at end of period[3]	**£(3.1)m**		£(27.8)m		(87.6)%	

Financial Performance

- Continuing underlying profit before tax of £2.7m (2019 H1: £6.8m), down 60% year-on-year.
- Net debt reduced to £3.1m (31 July 2019: £24.8m; 31 January 2019: £27.8m) driven by further working capital improvements (39 Days Sales Outstanding versus 45 at 31 July 2019) and the introduction of non-recourse invoice financing facilities of £16.0m.

Operational Performance

- Group continuing underlying NFI of £32.2 million, down 12% year-on-year
- UK Engineering down 7% year-on-year due to challenging market conditions which persisted throughout H1
- UK Technology performance remained challenging, with NFI down 25% versus the prior year, attributable in part to a strategic 20% reduction in headcount following the restructuring of the Technology business
- Within the UK Engineering and Technology businesses, the Solutions business grew by 1% against the prior year
- International NFI was down 21% year-on-year, primarily driven by the Americas where the benefits of the Group’s investment in the US are taking longer to emerge than anticipated, and trading losses in China. Excluding China, International NFI was down 14% year-on-year.

- On 9 March 2020, the Group commenced communications with the management and employees of its Chinese subsidiary, announcing its intention to cease operations in China. In H1 2020, China operations made a loss before tax of £0.5m (2019 1H: £0.2m loss).
- Administrative costs were flat year-on-year, notwithstanding increased investments in front line staff and systems
- The Group's cooperation with the US authorities with respect to historical transactions in our discontinued telecommunication infrastructure business remains ongoing.

Improvement Plan

During H1 2020, further progress was made in our Group-wide Improvement Plan. Key workstreams include:

- Continued expansion of our dedicated fulfilment operation, ensuring best-in-class candidate and client experience across the Group
- Sales has been reorganised generating new customer revenue streams, supported by the implementation of a new sales methodology
- The restructuring of our UK Technology business is now complete and aligned with UK Engineering and is operating in structured markets and specialisms
- Major technology platform upgrade which remains ongoing. This is currently in the detailed testing phase and the vendor management component is live

Outlook

The Board of Gattaca recognises that these are unprecedented times and that the necessary actions the Government is taking to control COVID-19 is inevitably causing disruption to the economy. As with all businesses, we are not immune to this and are currently experiencing a significant reduction in permanent placements and a reduction in active contractors, our core business, of approximately 20% from pre-COVID-19 levels. We anticipate further reductions in contractors and permanent placements in due course.

The Group is implementing mitigating actions, including placing over a third of its UK workforce into the Government Coronavirus Job Retention Scheme (based on our understanding of it at this time), deferring HMRC payments to the end of the tax year which will provide a significant increase in short term liquidity; and we are temporarily reducing working hours and pay of the remaining workforce by 20%.

Nonetheless, the current situation will inevitably have a material impact on Group profitability for the year. Given the evolving and dynamic nature of the situation, we will not be in a position to provide meaningful guidance on FY20 until there is greater clarity around the broader economic situation and how it will impact on our business.

The Group is in constructive dialogue with its bank and the Board expects to reach an agreement on revised terms that will address any covenant issues.

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

"Gattaca experienced a challenging environment across the staffing market, driven by economic and political uncertainty in the UK for the first five months of FY20 (August to December 2019). Subsequently, the COVID-19 pandemic has brought significant uncertainty to our business and we have implemented our business continuity plans accordingly, with the entirety of our staff working remotely, enabling the business to remain fully operational. The response from the Gattaca team has been exceptional. In addition, Government support including the Job Retention Scheme and HMRC payment deferrals, is welcome and increases our financial resilience.

The Board is acutely aware of its responsibility to all stakeholders in these difficult circumstances and is committed to providing the best support it can to protect staff, contractors and clients.

As a core provider of engineering and technology skills which remain critical at this time, we continue to fulfil client requirements both on existing and new projects. The coming months will be very challenging for our business but we believe that the actions we are taking will position us well for when the economy begins to recover."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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

[1] *NFI is calculated as revenue less contractor payroll costs*
[2] *Continuing underlying results exclude the NFI and trading (losses) / profits before taxation of discontinued businesses being the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as operations in Dubai, Malaysia and Qatar (2020 1H: £(1.0)m, 2019 1H: £(2.6)m), non-underlying items within administrative expenses in 2020 1H primarily related to restructuring and gains on sale of investments (2020 1H: £0.1m, 2019 1H: £0.8m), amortisation of acquired intangibles (2020 1H: £0.3m, 2019 1H: £0.6m), and exchange (losses) / gains from revaluation of foreign assets and liabilities (2020 1H: £(1.5)m, 2019 1H: £0.0m).*
[3] *Included within Net Debt are Capitalised Financing costs (31 January 2020: £0.3m, 31 July 2019: £0.2m)*

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Operational Performance

UK Engineering

Underlying NFI	2020 H1	2019 H1	Change
	£'m	£'m	%
Contract	17.8	19.5	-8%
Permanent	5.6	5.6	-1%
Total	23.4	25.1	-7%

UK Engineering was down -7% on H1 2019. This reflects challenging market conditions primarily driven by political uncertainty within the UK and the upcoming IR35 regulatory changes which have now been postponed to April 2021.

Infrastructure NFI declined -4% year-on-year. Demand remained particularly strong within the Highways and Civil Engineering market driven by the 'Routes to Market' initiative and increased funding for smart motorway schemes. However, the Buildings sector continued to see delays in investment for large private projects. In two of our key contract markets, Water and Rail, the markets were working through the end of current funding cycles tempering demand in the short term, although the AMP 7 Water cycle starts on 1 April 2020 and the Rail CP6 cycle started in November 2019.

Engineering Technology, operating in the area of convergence between traditional engineering and IT skill sets, achieved 3% growth. This was due to increasing demand for niche skills across all sectors, (particularly defence and rail), alongside technological advances bringing the opportunity for greater connectivity and smart infrastructure. We are aligning this business more closely with our Technology business unit in order to maximise the opportunities within this area.

NFI within our mobility markets declined by -23% as the Auto and Maritime business units in particular struggled in the face of uncertainty and lack of investment by end customers; we are yet to see any sign of recovery in these markets.

UK Technology

Underlying NFI	2020 H1	2019 H1	Change
	£'m	£'m	%
Contract	3.7	5.0	-26%
Permanent	1.1	1.4	-21%
Total	4.8	6.4	-25%

UK Technology was down -25% on H1 2019, as the restructure of the UK technology division continued. We have a new leadership team in place and have aligned the business to market sectors. There are indications that the UK Technology division is stabilising, with NFI during the second quarter increasing by 6% on the first quarter.

We continue to see significant UK opportunities for technology skills and seek to place ourselves in those markets with high demand, particularly Data Science, Cloud, AI, Cyber and all Java, Python and Javascript programming languages.

International

Underlying NFI	2020 H1	2019 H1	Change
	£'m	£'m	%
Contract	1.3	1.3	-3%
Permanent	2.7	3.8	-29%
Total	4.0	5.1	-21%

International NFI was down 21% on H1 2019 at £4.0m (2019 H1: £5.1m). Excluding China, International NFI was down 14% year-on-year.

The Americas region, in particular the US again underperformed against expectations with NFI down 17% against the prior year. We continue to focus on shifting the balance towards providing contract recruitment services, specifically to clients that are particularly focused across the Energy and Infrastructure markets for engineering skills, and across the Financial Services and Technology markets for technology skills. This move towards the contract market has yet to flow through into NFI growth, whilst permanent recruitment has declined.

£0.5m of the NFI decline related to the China business; we announced our intention to cease operations in China after the period end.

Global Contractor and Permanent mix

Our sales mix remained relatively stable with Permanent Fees accounting for 29% of NFI in H1 2020 (H1 2019: 30%).

People

Gattaca's permanent FTE headcount at 31 January 2020 was 681, a reduction of 55 from 31 January 2019. The ratio of sales to support staff was 73:27, consistent with the ratio at 31 January 2019.

Improvement Plan

Further progress was made in our Group-wide Improvement Plan. Key workstreams include:

- Continued expansion of our dedicated fulfilment operation, ensuring best-in-class candidate and client experience across the Group
- Sales has been reorganised generating new customer revenue streams, supported by the implementation of a new sales methodology
- The restructuring of our UK Technology business is now complete and aligned with UK Engineering and is operating in structured markets and specialisms
- Major technology platform upgrade which remains ongoing. This is currently in the detailed testing phase and the vendor management component is live

Financial Overview

Revenue for the period was -8% versus H1 2019 at £297.9m (H1 2019: £322.3m), on a continuing basis.

NFI of £32.2m represented a -12% year on year decline on a continuing basis. Contract NFI margin was 7.9% (2019 full year: 8.0%) partly impacted by the increased mix of Solutions business which can be at lower margins but is a more profitable business area.

Underlying EBITDA for the period at £5.2m (H1 2019: £8.4m) was -39% lower than H1 2019 on a continuing reported basis. This reflects the decline in NFI from both UK and International operations with a flat administrative cost base following further headcount actions taken to mitigate investment and cost inflation.

On an underlying continuing basis the effective tax rate was 32.8% (H1 2019: 24.3%). The Group's continuing underlying effective tax rate reported at 31 July 2019 was 22.0%. This increase in the effective tax rate for the continuing business is due overseas losses cannot be offset against UK profits.

Basic underlying earnings per share from continuing operations were 5.7p (H1 2019: 16.0p) and adjusted underlying diluted earnings per share from continuing operations were 5.5p (H1 2019: 15.8p).

Administrative costs

Underlying administrative costs of £28.6m are flat on H1 2019 as we continue to maintain our focus on cost reduction initiatives whilst investing in those areas where we see strategic long-term value.

Non-underlying costs and discontinued operations

The principle elements of 2020 H1 continuing non-underlying costs of £0.1m (H1 2019: £0.8m) are as follows:

£'m	
0.451	Restructuring costs - staff redundancies
(0.303)	Gain on disposal of investments
0.148	**Total non-underlying items**

The gain on disposal of investment relates to the sale of Gattaca's 10% holding in Concillium Search Limited on 27 November 2019.

In our 2020 full year accounts, China is expected to be disclosed within discontinued operations. Loss before tax in H1 2020 for Chinese operations was £0.5 million (H1 2019: £0.2 million).

Financing costs

Net financing costs of £2.3m (H1 2019 £1.0m) were £1.3m higher primarily due to a £1.4m increase in foreign exchange impacts on translation of foreign currency balances within local entities (treated as non-underlying) compared to prior year. Bank interest payable was £0.2m lower due to the lower average net debt balance through the period compared to H1 2020 and the benefit of reduced borrowing costs following the refinancing in November 2019.

Pro forma Group continuing PBT excluding China operations

On 9 March 2020, the Group commenced communications with the management and employees of its Chinese subsidiary, announcing the closure of our China operations. It was expected that we would see a significant reduction in the losses in 2020 but that was not the case, even before the impact of the COVID-19 pandemic, and the decision was accordingly made to direct our resources to better performing areas of the business.

Consequently, in our 2020 full year accounts, China will be disclosed within discontinued operations.

The pro-forma results for the 6 month period to 31 January 2020 and comparatives, excluding the results of the Chinese operations, would be as follows:

	6 months to 31 January 2020	6 months to 31 January 2019	12 months to 31 July 2019
	£000's	£000's	£000's
Underlying profit before tax from continuing operations	**2,747**	6,817	11,360
Less: Underlying (loss) before tax from Chinese operations	**(497)**	(153)	(326)
Pro-forma underlying profit before tax	**3,244**	6,970	11,686

Debtors, cash flow, net debt and financing

Net debt reduced to £3.1m (31 July 2019: £24.8m; 31 January 2019: £27.8m) driven by further working capital improvements and the introduction of non-recourse invoice financing facilities (£16.0m).

Our Days Sales Outstanding ('DSO'), stands at 39 days, an improvement from 31 July 2019 (45 days) and from the prior year (31 Jan 2019: 46 days). This development represents an improvement of approximately £12.0m in working capital.

Capital expenditure in the period of £1.3m H1 (2019: £1.1m) was primarily 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. This should lead to improvements in productivity, agility and effectiveness.

On 31 October 2019, the Group renewed its financing facilities with HSBC, extending the term loan out to October 2022. The three-year facility agreement includes a £15m Revolving Credit Facility (RCF) and a £75m Invoice Financing Facility. On 19 January 2020 the Group's invoice financing facility was restructured from a recourse only basis to be split between a recourse and a non-recourse basis. This has enabled the Group to achieve a lower cost of borrowing and has also resulted in the non-recourse element of the facility being derecognised as Group debt under IFRS.

Dividend

The Board is not recommending an interim dividend given the uncertainty surrounding COVID-19 and the subsequent economic headwinds in the UK.

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 38 to 41 of the Annual Report for the year ended 31 July 2019.

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.

In addition to the risks set out in our last Annual Report, there is the additional risks caused by the COVID-19 pandemic and its onward consequences. This impacts all companies in the UK and across most of the globe. In addition to the potential impact on the UK economic performance and loss of revenue to our business, our concern would be of any significant extension in debtor days as a result of cash flow problems at our clients, although there are actions that the Group could quickly implement to mitigate such risks. We are closely monitoring all our clients. A significant deterioration in payment terms would significantly impact the Group's liquidity.

Outlook

The Board of Gattaca recognises that these are unprecedented times and that the necessary actions the Government is taking to control COVID-19 is inevitably causing disruption to the economy. As with all businesses, we are not immune to this and are currently experiencing a significant reduction in permanent placements and a reduction in active contractors, our core business, of approximately 20% from pre-COVID-19 levels. We anticipate further reductions in contractors and permanent placements in due course.

The Group is implementing mitigating actions, including placing over a third of its UK workforce into the Government Coronavirus Job Retention Scheme (based on our understanding of it at this time), deferring HMRC payments to the end of the tax year which will provide a significant increase in short term liquidity; and we are temporarily reducing working hours and pay of the remaining workforce by 20%.

Nonetheless, the current situation will inevitably have a material impact on Group profitability for the year. Given the evolving and dynamic nature of the situation, we will not be in a position to provide meaningful guidance on FY20 until there is greater clarity around the broader economic situation and how it will impact on our business.

The Group is in constructive dialogue with its bank and the Board expects to reach an agreement on revised terms that will address any covenant issues.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the period ended 31 January 2020

	Note	6 months to 31/01/2020 *unaudited* Total £'000	6 months to 31/01/2019 *unaudited* Total £'000	12 months to 31/07/2019 Total £'000
CONTINUING OPERATIONS				
Revenue	2	**297,896**	322,339	635,814
Cost of Sales		**(265,718)**	(285,796)	(565,227)
GROSS PROFIT	2	**32,178**	**36,543**	**70,587**
Administrative expenses		**(29,029)**	(30,073)	(65,781)
PROFIT FROM OPERATIONS	2	**3,149**	**6,470**	**4,806**
Finance income		**51**	57	365
Finance cost		**(2,388)**	(1,082)	(2,096)
PROFIT BEFORE TAXATION		**812**	**5,445**	**3,075**
Taxation	4	**(649)**	(1,401)	(1,485)
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		**163**	**4,044**	**1,590**
DISCONTINUED OPERATIONS				
(Loss) for the year from discontinued operations (attributable to equity holders of the company)		**(812)**	**(3,116)**	**(7,491)**
(LOSS)/ PROFIT FOR THE PERIOD		**(649)**	**928**	**(5,901)**

Profits or losses are wholly attributable to equity holders of the parent.

RECONCILLIATION TO ADJUSTED PROFIT MEASURES

	Note	6 months to 31/01/2020 *unaudited* Total £'000	6 months to 31/01/2019 *unaudited* Total £'000	12 months to 31/07/2019 Total £'000
PROFIT FROM CONTINUING OPERATIONS		**3,149**	**6,470**	**4,806**
Add				
Depreciation of property, plant and equipment and amortisation of software and software licences		**1,543**	522	1,207
Non-underlying items included within administrative expenses		**148**	758	1,441
Amortisation and impairment of goodwill and acquired intangibles		**313**	632	7,146
Underlying EBITDA		**5,153**	**8,382**	**14,600**
Less				
Depreciation of property, plant and equipment and amortisation of software and software licenses		**(1,543)**	(522)	(1,207)
Net finance costs excluding foreign exchange differences		**(863)**	(1,043)	(2,033)
Underlying profit before taxation		**2,747**	**6,817**	**11,360**
Underlying taxation		**(899)**	(1,662)	(2,501)
Underlying profit after taxation from continuing operations		**1,848**	**5,155**	**8,859**

EARNINGS PER ORDINARY SHARE

	Note	pence	pence	pence
Basic earnings per share	5	**(2.0)**	2.9	(18.3)
Diluted earnings per share	5	**(1.9)**	2.8	(17.8)

	Note	pence	pence	pence
Earnings per ordinary share for continuing underlying operations				
Basic earnings per share from continuing underlying operations	5	**5.7**	16.0	27.5
Diluted earnings per share from continuing underlying operations	5	**5.5**	15.8	26.7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 January 2020

	Note	6 months to 31/01/2020 *unaudited* Total £'000	6 months to 31/01/2019 *unaudited* Total £'000	12 months to 31/07/2019 Total £'000
(LOSS)/ PROFIT FOR THE PERIOD		**(649)**	**928**	**(5,901)**
OTHER COMPREHENSIVE (LOSS)/ INCOME				
Items that will not be reclassified to profit or loss				
Exchange differences on translation of foreign operations		**(294)**	(1,600)	645
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		**(294)**	**(1,600)**	**645**
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(943)**	**(672)**	**(5,256)**
Attributable to:				
Continuing operations		**378**	2,444	1,702
Discontinued operations		**(1,321)**	(3,116)	(6,958)
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(943)**	**(672)**	**(5,256)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 January 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Treasury shares reserves £'000	Retained earnings £'000	Total £'000
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)/income	**-**	**-**	**-**	**-**	**(1,600)**	**-**	**928**	**(672)**
Deferred tax movement in respect of share options	-	-	-	-	-	-	3	**3**
Share-based payments charge	-	-	-	216	-	-	-	**216**
Share-based payments reserve transfer	-	-	-	(155)	-	-	155	**-**
Shares issued	-	-	-	-	-	-	-	**-**
Transactions with owners	**-**	**-**	**-**	**61**	**-**	**-**	**158**	**219**
Balance at 31 January 2019	**323**	**8,706**	**28,750**	**1,135**	**(1,301)**	**-**	**8,953**	**46,566**
Balance at 01 August 2018	**323**	**8,706**	**28,750**	**1,074**	**299**	**-**	**7,867**	**47,019**
(Loss) for the period	-	-	-	-	-	-	(5,901)	**(5,901)**
Other comprehensive income	-	-	-	-	645	-	-	**645**
Total comprehensive income/(expenses)	**-**	**-**	**-**	**-**	**645**	**-**	**(5,901)**	**(5,256)**
Deferred tax movement in respect of share options	-	-	-	-	-	-	15	**15**
Share-based based payments charge	-	-	-	269	-	-	-	**269**
Share-based payments reserve transfer	-	-	-	(590)	-	-	590	**-**
Purchase of treasury shares	-	-	-	-	-	(140)	-	**(140)**
Transactions with owners	**-**	**-**	**-**	**(321)**	**-**	**(140)**	**605**	**144**
Balance at 31 July 2019	**323**	**8,706**	**28,750**	**753**	**944**	**(140)**	**2,571**	**41,907**
Balance at 01 August 2019 as originally presented	**323**	**8,706**	**28,750**	**753**	**944**	**(140)**	**2,571**	**41,907**
Change in accounting policy	-	-	-	-	-	-	651	**651**
Restated total equity at 01 August 2019	**323**	**8,706**	**28,750**	**753**	**944**	**(140)**	**3,222**	**42,558**
(Loss) for the period	-	-	-	-	-	-	(649)	**(649)**
Other comprehensive expenses	-	-	-	-	(294)	-	-	**(294)**
Total comprehensive (expenses)	**-**	**-**	**-**	**-**	**(294)**	**-**	**(649)**	**(943)**
Deferred tax movement in respect of share options	-	-	-	-	-	-	1	**1**
Share-based payments charge	-	-	-	58	-	-	-	**58**
Share-based payments reserve transfer	-	-	-	(81)	-	-	81	**-**
Sales of treasury shares	-	-	-	-	-	32	-	**32**
Transactions with owners	-	-	-	(23)	-	32	82	**91**
Balance at 31 January 2020	**323**	**8,706**	**28,750**	**730**	**650**	**(108)**	**2,655**	**41,706**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the period ended 31 January 2020

	Note	6 months to 31/01/2020 *unaudited* Total £'000	6 months to 31/01/2019 *unaudited* Total £'000	12 months to 31/07/2019 Total £'000
ASSETS				
Non-Current Assets				
Goodwill and intangible assets	6	**12,446**	16,504	11,751
Property, plant and equipment		**2,924**	3,409	3,292
Right-of-use assets	9	**8,776**	-	-
Deferred tax assets		**-**	178	-
		24,146	**20,091**	**15,043**
Current Assets				
Trade and other receivables	7	**59,017**	90,039	96,728
Cash and cash equivalents	12	**19,350**	13,479	19,173
		78,367	**103,518**	**115,901**
TOTAL ASSETS		**102,513**	**123,609**	**130,944**
LIABILITIES				
Non-Current Liabilities				
Deferred tax liabilities		**(265)**	(1,519)	(396)
Provisions		**(1,723)**	(2,535)	(2,349)
Lease liabilities	9	**(2,066)**	-	-
Bank loans and borrowings	8	**(9,696)**	(14,825)	(14,957)
		(13,750)	**(18,879)**	**(17,702)**
Current Liabilities				
Trade and other payables		**(25,040)**	(30,295)	(40,676)
Provisions		**-**	-	(332)
Current tax liabilities		**(1,692)**	(1,460)	(1,289)
Lease liabilities	9	**(7,596)**	-	-
Bank loans and borrowings	8	**(12,729)**	(26,409)	(29,038)
		(47,057)	**(58,164)**	**(71,335)**
TOTAL LIABILITIES		**(60,807)**	**(77,043)**	**(89,037)**
NET ASSETS		**41,706**	**46,566**	**41,907**
EQUITY				
Share capital	10	**323**	323	323
Share premium		**8,706**	8,706	8,706
Merger reserve		**28,750**	28,750	28,750
Share-based payment reserve		**730**	1,135	753
Translation reserve		**650**	(1,301)	944
Treasury shares reserve		**(108)**	-	(140)
Retained earnings		**2,655**	8,953	2,571
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**41,706**	**46,566**	**41,907**

The notes of pages 6 to 17 are an integral part of these interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 January 2020

	Note	6 months to 31/01/2020 *unaudited* Total £'000	6 months to 31/01/2019 *unaudited* Total £'000	12 months to 31/07/2019 Total £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/ profit after taxation		**(649)**	**928**	**(5,901)**
Adjustments for:				
Depreciation and amortisation		**932**	1,166	2,483
Depreciation of right-of-use lease assets		**924**	-	-
Non-cash adjustment from adoption of IFRS 16		**651**	-	-
(Profit) on disposal of subsidiary, associate, or investment		**(304)**	-	(135)
Loss on disposal of property, plant and equipment		**-**	67	67
Impairment of goodwill and acquired intangibles		**-**	-	5,882
Interest (income)		**(51)**	(57)	(437)
Interest expense		**2,384**	1,082	2,096
Taxation expense recognised in Income Statement		**473**	1,909	1,417
Decrease in trade and other receivables		**37,677**	22,632	17,225
(Decrease) in trade and other payables		**(15,636)**	(10,555)	(174)
(Decrease)/increase in provisions		**(191)**	1,145	1,291
Share-based payment charge		**58**	216	269
Cash generated from operations		**26,268**	18,533	24,083
Interest paid		**(752)**	(1,082)	(1,993)
Interest on lease liabilities		**(120)**	-	-
Interest received		**51**	41	86
Income taxes paid		**(167)**	(1,615)	(2,523)
NET CASH FROM OPERATING ACTIVITIES		**25,280**	**15,877**	**19,653**
CASH FLOWS FROM INVESTING ACTIVITES				
Purchase of plant and equipment		**(87)**	(161)	(673)
Purchase of intangible assets		**(1,173)**	(950)	(2,876)
Proceeds from sale of subsidiary, associate, or investment		**304**	-	2
Proceeds from sale of property, plant and equipment		**-**	-	26
NET CASH USED IN INVESTING ACTIVITIES		**(956)**	**(1,111)**	**(3,521)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of term loan		**(5,000)**	-	-
Lease liability principal repayment		**(793)**	-	-
Sales/(purchase) of treasury shares		**32**	-	(140)
Working capital facility (repaid)		**(16,390)**	(9,275)	(6,740)
Finance costs paid		**(222)**	(106)	-
NET CASH USED IN FINANCING ACTIVITIES		**(22,373)**	**(9,381)**	**(6,880)**
Effects of exchange rates on cash and cash equivalents		**(1,775)**	(1,664)	163
NET INCREASE IN CASH AND CASH EQUIVALENTS		**176**	**3,721**	**9,415**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**19,173**	**9,758**	**9,758**
CASH AND CASH EQUIVALENTS AT END OF PERIOD [(1)]		**19,349**	**13,479**	**19,173**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS FOR DISCONTINUED OPERATIONS	11	**(1,197)**	**3,508**	**(2,743)**

(1) Included in Cash and cash equivalents is £894,000 of restricted cash which meets the definition of cash and cash equivalents but is not available for use by the Group. These balances arise from the Group's non-recourse working capital arrangements.

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 2020. 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 2019 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 January 2020 or are expected to be adopted and effective at 31 January 2020.

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.

There is significant uncertainty regarding the potential future impact of the COVID-19 outbreak on our clients and resultant trading activity, and any potential disruption to our own operations. We continue to monitor any changes and have regular management and weekly Board meetings to assess the situation. We have a wide spread of customers across multiple sectors but recognise that COVID-19 could impact many of our customers.

All of our staff have now been working remotely for over a week and there has not been any significant impact to our ability to operate effectively. A reduction in contractor numbers whilst impacting profitability, generally results in reduced working capital requirements and will create further liquidity. Our concern would be any significant extension in debtor days as a result of cash flow problems at our clients although there are actions that the Group could quickly implement to substantially mitigate such risks. A significant deterioration in payment terms would significantly impact the Group's liquidity.

We have modelled the impact of a number of scenarios including a loss of almost all of our permanent income for six months and a 50% reduction in contractor income over the same period. This model also includes a significant proportion of the UK workforce moving into the Government Coronavirus Job Retention Scheme for six months (based on our understanding of it at this time) and deferment of HMRC payments to the end of the tax year which provides a significant increase in short term liquidity.

Our current bank facilities comprise the following:

	Total Facilities	Utilised as at 31 January 2020
Invoice financing (recourse and non-recourse)	£75.0m	£28.7m
Revolving Credit facility[Note 1]	£10.0m	£10.0m

Note 1: The current revolving credit facility has scheduled repayments of £2.5m on 31 July 2020 and £2.5m on 31 October 2020.

Cash at 31 January 2020 was £19.4m, of which £0.9m was restricted.

The Group is in constructive dialogue with its bank and the Directors expect to reach agreement on revised terms that will address any potential covenant issues.

At this point, whilst recognising that we are in unprecedented times, the Directors consider that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements. As with all business forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

iv New standards and interpretations

The following 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 2019 and no new standards have been early adopted. The Group's January 2020 interim financial statements have adopted these amendments to IFRS. Apart from IFRS 16 Leases, none of these have had any material impact on the Group's results or financial position:

- IFRS 9 (amendments) Financial Instruments (effective 1 January 2019)
- IFRS 16 Leases (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

- Annual Improvements to IFRSs 2017 (effective 1 January 2019)

Apart from IFRS 16 Leases there have been no alterations made to the accounting policies as a result of considering all of the other amendments above that became effective in the period, as these were either not material or were not relevant.

Under IFRS 16 Leases, the Group has recognised within the Consolidated Balance Sheet a right-of-use asset and a lease liability for all applicable leases. Within the Consolidated Income Statement, operating lease rental charges have been replaced with depreciation and interest expense. The impact of this change has been disclosed in Note 8 to the interim financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments, clarifies how to measure current and deferred tax assets and liabilities where there is uncertainty that affects the application of IAS 12 Income Taxes. The Group has undertaken a review of the current tax position and assessed that the adoption of IFRIC 23 does not have a material impact on the Group's results.

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 2020. These new pronouncements are listed as follows:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of material (effective 1 January 2020)
- IFRS 3 (amendments) Business Combinations - Definition of a business (effective 1 January 2020)

The directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on the Group operation or results.

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.

Temporary placements

Revenue from temporary, or contract, placements is recognised at the point in time when the candidate provides services, upon receipt of a client-approved timesheet or equivalent proof of time worked. Timing differences between the receipt of a client-approved timesheet and the raising of an invoice are recognised as accrued income. The Group has assessed its use of third party providers to supply candidates for temporary placements under the agent or principal criteria and has determined that it is the principal on the grounds that it retains primary responsibility for provision of the services.

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

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

Permanent placements

Revenue from permanent placements, which is based on a percentage of the candidate’s remuneration package, is recognised when candidates commence employment which is the point at which the performance obligation of the contract is considered met. Some permanent placements are subject to a ‘claw-back’ period whereby if a candidate leaves within a set period of starting employment, the customer is entitled to a rebate subject to the Group’s terms and conditions. Provisions as a reduction to revenue are recognised for such arrangements if material. Based on historical data, such rebates are infrequent and immaterial.

Other

Other revenue streams are generated from provision of engineering services and other fees. Revenue from the provision of engineering services is recognised either over a period of time when the performance obligations are satisfied over the course of project milestones or at a point in time upon receipt of client-approved timesheets. Other fees mainly relate to account management fees for providing recruitment services. Revenue from other fees is recognised on confirmation from the client committing to the agreement and either at a point in time or over time in accordance with terms of each individual agreement as performance obligations are met.

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.

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 33.3%	Straight line
Leasehold improvements	Over the period of the lease term	Straight line

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

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

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

ix 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.

x Intangible assets

Customer relationships

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

Trade names and trademarks

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

Software and software licences

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

Internally generated intangible assets

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

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

Other

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

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

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

xi Disposal of assets

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

xii Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17 and IFRIC 14.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset either explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after 1 August 2019.

For contracts entered into before 1 August 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was depended on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentive received.

Advantage has been taken of the practical expedients for exemptions provided for leases with less than 12 months to run, for leases of low value, to account for leases with similar characteristics as a portfolio with a single discount rate and to present existing onerous lease provisions against the carrying value of right-of-use assets.

Depreciation on right-of-use lease assets is charged on a straight line basis over the term of the lease, and is recognised in profit or loss.

Interest expense on the lease liability is recognised in profit or loss within finance costs.

xiii Taxation

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

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

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

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

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

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

xiv Pension costs

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

xv Share-based payments

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

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

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

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

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

xvi Business Combinations Completed Prior to Date of Transition to IFRS

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

xvii Financial instruments

Financial assets

IFRS 9 contains a 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, all financial assets are measured at either amortised cost, fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI).

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

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

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

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

Financial assets: equity instruments

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

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

Impairment of financial assets

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

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI.
The Group has reviewed each category of its financial assets to assess the level of credit risk and ECL provision to apply:

- Trade receivables: the Group has chosen to take advantage of the practical expedient in IFRS 9 when assessing default rates over its portfolio of trade receivables, to estimate the ECL based on historical default rates specific to groups of customers by industry and geography that carry similar credit risks. Separate ECL's have been modelled for UK construction customers, rest of UK customers, and customers in the Americas, Europe, Asia and Africa.

- Accrued income is in respect of temporary placements where a client-approved timesheet has been received or permanent placements where a candidate has commenced employment, but no invoice has been raised. Default rates have been determined by reference to historical data.
- Cash and cash equivalents are held with established financial institutions. The Group has determined that based on the external credit ratings of counterparties, this financial asset has a very low credit risk and that the estimated expected credit loss provision is not material.

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

Financial Liabilities

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

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

xviii Cash and cash equivalents

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

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

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for wider use by the Group. These balances arise from the Group's non-recourse working capital arrangements.

xix Provisions

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

xx Dividends

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

xxi Foreign currencies

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

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

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

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

For consolidation purposes, the assets and liabilities of foreign operations are translated at closing exchange rates. Income Statements of such undertakings are consolidated at average rates of exchange as an approximation for actual rates during the year. Exchange differences arising on these translations are accounted for in the translation reserve in 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.
- 'Merger reserve' represents the equity balance arising on the merger of Matchtech Engineering and Matchmaker Personnel and to record the excess fair value above the nominal value of the share consideration on the acquisition of Networkers International plc.
- 'Share-based payment reserve' represents equity-settled share-based employee remuneration until such share options are exercised or lapse.
- 'Translation reserve' represents the foreign currency differences arising on translating foreign operations into the presentational currency of the Group.
- 'Treasury shares reserve' represents Company shares purchased directly by the Group to satisfy obligations under the employee share plan.
- 'Retained earnings' represents retained profits.

xxiii Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

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

Key sources of estimation uncertainty

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

ECL provisions in respect of trade receivables

The Group's policy for default risk over receivables is based on the on-going evaluation of the credit risk of its trade receivables. Estimation is used in assessing the ultimate realisation of these receivables, including reviewing the potential likelihood of default, the past collection history of each customer and the current economic conditions. As a result, expected credit loss provisions for impairment of trade receivables have been recognised, as discussed in Note 7.

Valuation of goodwill and intangible assets

Goodwill and intangible assets (including acquired intangibles) are tested for impairment on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimate to be made of the recoverable amount of the cash-generating unit to which the assets are allocated, including forecasting future cash flows of each cash-generating unit and forming assumptions over the discount rate and long-term growth rate applied. These assumptions are set out in detail in the consolidated financial statements for the year ended 31 July 2019.

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 2020
unaudited

All amounts in £'000	UK Engineering	UK Technology	International	Continuing underlying operations	Non-underlying items and amortisation and impairment of acquired intangibles	Discontinued operations	Group Total
Revenue	230,620	57,458	9,818	297,896	-	7	**297,903**
Gross profit	23,361	4,799	4,018	32,178	-	58	**32,236**
Operating contribution	12,203	1,368	481	14,052	-	372	**14,424**
Depreciation, impairment and amortisation	(1,194)	(298)	(51)	(1,543)	(313)	-	**(1,856)**
Central overheads	(6,668)	(1,131)	(1,100)	(8,899)	(148)	(1,364)	**(10,411)**
Profit/ (loss) from operations	**4,341**	**(61)**	**(670)**	**3,610**	**(461)**	**(992)**	**2,157**
Finance cost, net				(863)	(1,474)	4	**(2,333)**
Profit/ (loss) before tax				**2,747**	**(1,935)**	**(988)**	**(176)**

6 months to 31 January 2019
unaudited

All amounts in £'000	UK Engineering	UK Technology	International	Continuing underlying operations	Non-underlying items and amortisation and impairment of acquired intangibles	Discontinued operations	Group Total
Revenue	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, impairment 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/ (loss) 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 tax				**6,817**	**(1,372)**	**(2,608)**	**2,837**

Year to 31 July 2019

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

Profit/ (loss) before tax	**11,360**	**(8,285)**	**(7,559)**	**(4,484)**

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	6 months to 31/01/2020	Total Group Revenue 6 months to 31/01/2019	12 months to 31/07/2019	6 months to 31/01/2020	Non-current Assets 6 months to 31/01/2019	12 months to 31/07/2019
UK	**285,066**	320,587	613,055	**23,407**	19,898	14,844
Rest of Europe	**1,810**	1,257	4,313	**3**	2	1
Middle East and Africa	**1,009**	1,321	5,658	**94**	11	13
Americas	**9,671**	10,503	21,966	**633**	165	172
Asia Pacific	**347**	810	2,193	**9**	15	13
Total	**297,903**	**334,478**	**647,185**	**24,146**	**20,091**	**15,043**

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

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Major service lines - continuing operations

	UK Engineering			UK Technology			International			Total		
	6 months to 31/01/20 £'000	6 months to 31/01/19 £'000	12 months to 31/07/19 £'000	6 months to 31/01/20 £'000	6 months to 31/01/19 £'000	12 months to 31/07/19 £'000	6 months to 31/01/20 £'000	6 months to 31/01/19 £'000	12 months to 31/07/19 £'000	6 months to 31/01/20 £'000	6 months to 31/01/19 £'000	12 months to 31/07/19 £'000
Temporary placements	224,863	241,762	463,840	56,520	60,058	133,491	7,107	8,873	17,026	**288,490**	**310,693**	**614,357**
Permanent placements	5,736	6,224	11,887	938	1,480	2,593	2,711	3,761	6,790	**9,385**	**11,465**	**21,270**
Other	21	181	176	-	-	-			11	**21**	**181**	**187**
Total	**230,620**	**248,167**	**475,903**	**57,458**	**61,538**	**136,084**	**9,818**	**12,634**	**23,827**	**297,896**	**322,339**	**635,814**

Timing of revenue recognition – continuing operations

	UK Engineering			UK Technology			International			Total		
	6 months to 31/01/20 £'000	6 months to 31/01/19 £'000	12 months to 31/07/19 £'000	6 months to 31/01/20 £'000	6 months to 31/01/19 £'000	12 months to 31/07/19 £'000	6 months to 31/01/20 £'000	6 months to 31/01/19 £'000	12 months to 31/07/19 £'000	6 months to 31/01/20 £'000	6 months to 31/01/19 £'000	12 months to 31/07/19 £'000
Point in time	230,620	248,167	475,903	57,458	61,538	136,084	9,818	12,634	23,827	**297,896**	**322,339**	**635,814**
Total	**230,620**	**248,167**	**475,903**	**57,458**	**61,538**	**136,084**	**9,818**	**12,634**	**23,827**	**297,896**	**322,339**	**635,814**

No single customer contributed more than 10% of the Group's revenues (2019: none).

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

	Note	6 months to 31/01/2020 *unaudited* Total £'000	6 months to 31/01/2019 *unaudited* Total £'000	12 months to 31/07/2019 Total £'000

Trade receivables	7	**41,537**	74,836	71,704
Accrued income	7	**13,589**	11,674	22,837

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

4 TAXATION

Analysis of charge in the period for continuing operations	**6 months to 31/01/2020** *unaudited* **Total £'000**	**6 months to 31/01/2019** *unaudited* **Total £'000**	**12 months to 31/07/2019** **Total £'000**
Profit before tax for continuing purposes	**812**	**5,445**	**3,075**
Profit before tax multiplied by the standard rate of corporate tax in the UK of 18.3% (2019: 19%)	**149**	1,035	584
Expenses not deductible for tax purposes and goodwill impairment loss	**242**	77	1,141
Income not taxable	**(56)**	-	-
Effect of share-based payments	**4**	78	107
Irrecoverable withholding tax	**31**	55	109
Overseas losses not recognised as deferred tax assets	**249**	195	(231)
Difference between UK and overseas tax rates	**30**	(39)	99
Adjustment to tax charge in respect of previous periods	**-**	-	(324)
Total taxation charge for the period for continuing operations	**649**	**1,401**	**1,485**
Total taxation (credit)/ charge for the period for discontinued operations	**(176)**	**508**	**(68)**

5 EARNINGS PER SHARE

Earnings per share has been calculated by dividing the consolidated profit or loss after taxation attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the 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. Share incentive plans are treated as dilutive when, at the reporting date, they would be issuable had the performance year ended at that date.

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

The effective of potential ordinary shares are reflected in diluted EPS only when they are dilutive. Potential ordinary shares are considered dilutive when their inclusion in the calculation would decrease EPS, or increase the loss per share from continuing operations. This is regardless of whether the potential ordinary shares are dilutive for EPS from total operations. The effect of potential ordinary shares are considered to be dilutive for period ended 31 January 2020 and therefore have been included in the calculation below.

The earnings per share information has been calculated as follows:

	6 months to 31/01/2020 *unaudited*	**6 months to 31/01/2019** *unaudited*	**12 months to 31/07/2019**
Total earnings	**£'000**	**£'000**	**£'000**
Total (loss)/ profit attributable to ordinary share holders	**(649)**	928	(5,901)
Number of shares	**000's**	**000's**	**000's**
Basic weighted average number of ordinary shares in issue	**32,285**	32,257	32,267

Dilutive potential ordinary shares		**1,039**	327	877
Diluted weighted average number of shares		**33,324**	32,584	33,144
Total earnings per share		**pence**	**pence**	**pence**
Earnings per ordinary share	- Basic	**(2.0)**	2.9	(18.3)
	- Diluted	**(1.9)**	2.8	(17.8)
Earnings for continuing operations		**£'000**	**£'000**	**£'000**
Total profit for period		**163**	4,044	1,590
Total earnings per share for continuing operations		**pence**	**pence**	**pence**
Earnings per ordinary share from continuing operations	- Basic	**0.5**	12.5	4.9
	- Diluted	**0.5**	12.4	4.8
Earnings for discontinuing operations		**£'000**	**£'000**	**£'000**
Total (loss) for the period		**(812)**	(3,116)	(7,491)
Total earnings per share for discontinuing operations		**pence**	**pence**	**pence**
Earnings per ordinary share from discontinuing operations	- Basic	**(2.5)**	(9.7)	(23.2)
	- Diluted	**(2.4)**	(9.6)	(22.6)
Earnings from continuing underlying operations		**£'000**	**£'000**	**£'000**
Total profit for the period		**1,848**	5,155	8,859
Total earnings per share for continuing underlying operations		**pence**	**pence**	**pence**
Earnings per ordinary share for continuing underlying operations	- Basic	**5.7**	16.0	27.5
	- Diluted	**5.5**	15.8	26.7

6 INTANGIBLES

		Goodwill	Customer Relationships	Trade Names	Other	Software and software licenses	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
COST	At 01 August 2018	28,739	22,245	5,326	3,809	3,369	**63,488**
	Additions	-	20	-	-	930	**950**
	At 31 January 2019	**28,739**	**22,265**	**5,326**	**3,809**	**4,299**	**64,438**
	At 01 August 2018	28,739	22,245	5,326	3,809	3,369	**63,488**
	Additions	-	-	20	-	2,856	**2,876**
	At 01 August 2019	**28,739**	**22,245**	**5,346**	**3,809**	**6,225**	**66,364**
	Additions	-	-	-	-	1,173	**1,173**
	At 31 January 2020	**28,739**	**22,245**	**5,346**	**3,809**	**7,398**	**67,537**
AMORTISATION AND IMPAIRMENT	At 01 August 2018	21,779	16,698	4,040	2,883	1,739	**47,139**
	Amortisation charge for the period	-	632	-	-	163	**795**
	Impairment loss	-	-	-	-	-	**-**
	At 31 January 2019	**21,779**	**17,330**	**4,040**	**2,883**	**1,902**	**47,934**
	At 01 August 2018	21,779	16,698	4,040	2,883	1,739	**47,139**
	Amortisation charge for the period	-	758	167	339	328	**1,592**
	Impairment	2,603	2,468	744	67	-	**5,882**
	At 01 August 2019	**24,382**	**19,924**	**4,951**	**3,289**	**2,067**	**54,613**
	Amortisation charge for the period	-	162	27	124	165	**478**

	At 31 January 2020	**24,382**	**20,086**	**4,978**	**3,413**	**2,232**	**55,091**
NET BOOK VALUE	At 31 January 2019	6,960	4,935	1,286	926	2,397	**16,504**
	At 31 July 2019	4,357	2,321	395	520	4,158	**11,751**
	At 31 January 2020	**4,357**	**2,159**	**368**	**396**	**5,166**	**12,446**

7 TRADE AND OTHER RECEIVABLES

	6 months to to 31/01/2020 *unaudited* **£'000**	**6 months to 31/01/2019** *unaudited* **£'000**	**12 months to 31/07/2019** **£'000**
Trade receivables from contracts with customers, net of loss allowance	**41,537**	74,836	71,704
Corporation tax receivables	**295**	-	329
Other receivables	**2,154**	1,750	660
Prepayments	**1,442**	1,779	1,198
Accrued income	**13,589**	11,674	22,837
Total	**59,017**	**90,039**	**96,728**

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

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

	Group		
	31/01/2020 **£'000**	**31/01/2019** **£'000**	**31/07/2019** **£'000**
Trade receivables from contracts with customers, gross amounts	**43,602**	76,721	73,893
Loss allowance	**(2,065)**	(1,885)	(2,189)
Trade receivables from contracts with customers, net of loss allowance	**41,537**	**74,836**	**71,704**

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

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

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

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

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

The loss allowance for trade receivables was determined as follows:

31 January 2020	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days due**	**Total**
Weighted expected loss rate	2.0%	1.0%	1.3%	45.7%	
Gross carrying amount – trade receivables	23,893	12,755	3,897	3,057	**43,602**
Loss allowance	487	129	52	1,397	**2,065**

31 January 2019	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days due**	**Total**
Weighted expected loss rate	1.1%	3.3%	1.9%	42.5%	
Gross carrying amount – trade receivables	69,025	3,301	2,113	2,282	**76,721**
Loss allowance	766	108	41	970	**1,885**

31 July 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days due	Total
Weighted expected loss rate	1.4%	2.0%	4.2%	53.4%	
Gross carrying amount – trade receivables	69,944	1,130	665	2,154	**73,893**
Loss allowance	987	23	28	1,151	**2,189**

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

	Group		
	6 months to 31/01/2020 *unaudited* £'000	**6 months to 31/01/2019 *unaudited* £'000**	**12 months to 31/07/2019 £'000**
Opening loss allowance for the period	**2,189**	1,547	1,547
Increase in loss allowance recognised in profit and loss during the period	**132**	338	994
Receivable written off during the period as uncollectable	**(256)**	-	(352)
Closing loss allowance for the period	**2,065**	**1,885**	**2,189**

8 LOANS AND BORROWINGS

	Group		
	31/01/2020 £'000	**31/01/2019 £'000**	**31/07/2019 £'000**
Working capital facility	**12,729**	26,409	29,119
Finance costs capitalised	**-**	-	(81)
Bank loans and borrowings due in less than one year	**12,729**	**26,409**	**29,038**
Term loan	**10,000**	15,000	15,000
Finance costs capitalised	**(304)**	(175)	(43)
Bank loans and borrowings due in more than one year	**9,696**	**14,825**	**14,957**
Total bank loans and borrowings	**22,425**	**41,234**	**43,995**

On 31 October 2019, the Group renewed its financing facilities with HSBC, extending the term out from October 2020 to October 2022.

At 31 January 2020, the Group had agreed banking facilities with HSBC totalling £85m comprising a £75m Invoice Financing working capital facility and a £10m (31 July 2019: £15m, 31 January 2019: £15m) Term Loan Facility committed until October 2022.

The Group's working capital facilities are secured by way of an all assets debenture, which contains fixed and floating charges over the assets of the Group. This facility allows certain companies within the Group to borrow up to 90% of invoiced trade receivables up to a maximum of £75m. Interest is charged on borrowings at a rate of 1.75% (2019: 2.30%) over HSBC Bank base rate.

On January 2020 the Group transferred a portion of its recourse working capital facility to a non-recourse working capital facility. The terms of the non-recourse invoice finance facility result in it being de-recognised as borrowings under IFRS . The Group continues to collect cash from trade receivables assigned to the non-recourse facility for transfer to HSBC.

The Group's £10m Term Loan Facility is secured by way of a fixed and floating charge over assets of the Group. Interest is charged on borrowings at a rate of 3.25% (2019: 3.25%) over HSBC LIBOR rate. The Group is required to complying with certain financial covenants in the Term Loan facility and all covenant requirements were satisfied in the period.

9 LEASES

On 1 August 2019, the Group adopted IFRS 16 Leases, applying a modified retrospective approach to transition. As a result, comparatives have not been restated. The balance sheet shows the following amounts related to leases where the Group is a lessee.

Right-of-use assets		**Buildings**	**Vehicles**	**Other**	**Total**
		£'000	**£'000**	**£'000**	**£'000**
Cost	At 01 August 2019	9,335	336	17	**9,688**
	Additions	-	12	-	**12**
	At 31 January 2020	**9,335**	**348**	**17**	**9,700**
Depreciation	At 01 August 2019	-	-	-	**-**
	Depreciation charge for the period	(834)	(86)	(4)	**(924)**
	At 31 January 2020	**(834)**	**(86)**	**(4)**	**(924)**
Net book value	At 01 August 2019	9,335	336	17	**9,688**
	At 31 January 2020	**8,501**	**262**	**13**	**8,776**

Included in the buildings right-of-use assets at 1 August 2019 was an onerous lease provision of £936,000, which had previously been recognised in non-current liabilities but has been reclassified as allowed under the transition to IFRS 16.

Lease liabilities	**31/01/2020** *unaudited* **£'000**	**01/08/2019** *unaudited* **£'000**	**31/01/2019** *unaudited* **£'000**	**31/07/2019** **£'000**
Current	(2,066)	(2,005)	-	-
Non-current	(7,596)	(8,619)	-	-
	(9,662)	**(10,624)**	**-**	**-**

10 SHARE CAPITAL

Authorised share capital	**6 month to 31/01/2020** *unaudited* **£'000**	**6 months to 31/01/2019** *unaudited* **£'000**	**12 months to 31/07/2019** **£'000**
40,000,000 ordinary shares of £0.01 each	**400**	400	400

Allotted, called up, and fully paid	**31/01/2020** *unaudited* **£'000**	**31/01/2019** *unaudited* **£'000**	**31/07/2019** **£'000**
Ordinary shares of £0.01 each	**323**	323	323

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

	'000
In issue at 01 August 2018	32,256
Exercise of share options	16
In issue at 31 January 2019	**32,272**
In issue at 01 August 2018	32,256
Exercise of share options	29
In issue at 31 July 2019	**32,285**
In issue at 01 August 2019	32,285
Exercise of share options	6
In issue at 31 January 2020	**32,291**

11 DISCONTINUED OPERATIONS

On 4 September 2018 the Group announced that it was withdrawing from the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as its operations in Dubai, Malaysia and Qatar. As a result, all operations associated with that business stream have been classified as discontinued and are disclosed separately on the Condensed Consolidated Income Statement and where relevant, in related notes. The required disclosures in respect of the Condensed Consolidated Cash Flow Statement are shown below:

Cash flows from discontinued operations	31/01/2020 *unaudited* £'000	31/01/2019 *unaudited* £'000	31/07/2019 £'000
Net cash (inflow)/ outflow from operating activities	**(1,065)**	3,597	(2,810)
Net cash used in investing activities	**-**	(57)	14
Net cash used in financing activities	**(76)**	-	-
Effects of exchange rates on cash and cash equivalents	**(56)**	(32)	53
(Decrease)/ increase in cash and cash equivalents from discontinued operations	**(1,197)**	**3,508**	**(2,743)**

12 NET DEBT

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

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

31 January 2020	01 August 2019 £'000	Net cash flows £'000	Amortisation of financing costs £'000	31 January 2020 £'000
Cash and cash equivalents	19,173	177	-	19,350
Interest-bearing term loan	(15,000)	5,000	-	(10,000)
Working capital facilities	(29,119)	16,390	-	(12,729)
Total net debt	**(24,946)**	**21,567**	**-**	**(3,379)**
Capitalised finance costs	124	222	(42)	304
Total net debt after capitalised finance costs	**(24,822)**	**21,789**	**(42)**	**(3,075)**

31 January 2019	01 August 2018 £'000	Net cash flows £'000	Amortisation of financing costs £'000	31 January 2019 £'000
Cash and cash equivalents	9,758	3,721	-	13,479
Interest-bearing term loan	(15,000)	-	-	(15,000)
Working capital facilities	(35,859)	9,450	-	(26,409)
Total net debt	**(41,101)**	**13,171**	**-**	**(27,930)**
Capitalised finance costs	227	-	(52)	175
Total net debt after capitalised finance costs	**(40,874)**	**13,171**	**(52)**	**(27,755)**

31 July 2019	01 August 2018 £'000	Net cash flows £'000	Amortisation of financing costs £'000	31 January 2019 £'000
Cash and cash equivalents	9,758	9,415	-	19,173
Interest-bearing term loan	(15,000)	-	-	(15,000)
Working capital facilities	(35,859)	6,740	-	(29,119)
Total net debt	**(41,101)**	**16,155**	**-**	**(24,946)**
Capitalised finance costs	227	-	(103)	124
Total net debt after capitalised finance costs	**(40,874)**	**16,155**	**(103)**	**(24,822)**

13 CONTINGENT LIABILITIES

We continue our cooperation with the United States authorities and in the 6 month period to 31 January 2020 have incurred £1.3m (year to 31 July 2019: £3.4m) in advisory fees on this matter. The Group is not currently in a position to know what the outcome of these enquiries may be and therefore we are unable to quantify the likely outcome for the Group.

14 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD END

On 9 March 2020, the Group commenced communications with the management and employees of its Chinese subsidiary, announcing its intention to cease operations in China. As this will result in the Group's withdrawal from all operations in China, the Group expects to disclose this within discontinued operations as part of the consolidated financial statements for year ended 31 July 2020.

15 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.