4 November 2020

Gattaca plc

Preliminary Results for the year ended 31 July 2020

Strategic progress and a resilient trading performance against a challenging backdrop

Gattaca plc ("Gattaca" or the "Group"), the specialist Engineering and Technology (IT & Telecoms) recruitment solutions business, today announces its Preliminary Results for the year ended 31 July 2020.

Financial Highlights

	2020		**Restated 2019**			
	Continuing Reported	Continuing underlying[2]	Continuing Reported	Continuing underlying[2]	Continuing Reported	**Continuing underlying[2]**
	£m	**£m**	£m	£m	**%**	**%**
Revenue	**538.7**	**538.7**	634.3	634.3	-15%	**-15%**
Net Fee Income (NFI)[1]	**54.3**	**54.3**	69.1	69.1	-21%	**-21%**
Profit from operations	**3.4**	**6.0**	5.1	13.7	-34%	**-56%**
Profit before taxation	**1.4**	**4.6**	3.4	11.7	-57%	**-61%**
Basic earnings per share	**1.8**	**10.3**	5.8	28.4	-70%	**-64%**
Diluted earnings per share	**1.8**	**10.3**	5.7	27.6	-69%	**-63%**
Dividend per share		**0**		0		
Adjusted Net cash / (debt) at end of period (excluding IFRS 16 lease liabilities)		**27.3**		(24.8)		**52.1**

Financial Performance

- Continuing underlying PBT of £4.6m (2019 restated: £11.7m), 61% lower year-on-year
- Basic continuing underlying EPS of 10.3p (2019 restated: 28.4p), 64% lower year-on-year
- Robust balance sheet with Group having adjusted net cash position of £27.3m at 31 July 2020 (2019: £(24.8)m net debt). Reduction of net debt a key focus over last three years, net debt having been £(40.3)m at July 2017
- Revolving Credit Facility repaid early in October 2020; Group now covenant free

COVID-19 response

- Business was fully operational through remote working within first week of UK-wide lock-down, now remote working on a hybrid basis
- Immediate actions taken on costs and liquidity improvement, including no bonuses and 20% temporary pay cuts for all directors and staff
- Gattaca's weighing towards Contract (73%, 27% Perm), combined with resilience of core markets, including Infrastructure and Defence, provided comparatively stable platform for Group performance

Operational Performance[3]

- Group continuing underlying NFI of £54.3m, 21% lower year-on-year, reflecting impact of COVID-19 pandemic
- UK Engineering NFI on a continuing basis declined 19% year-on-year, a relatively resilient performance reflecting longer investment horizons in the sector and strong mix of defence, infrastructure and public sector work
- UK Technology NFI on a continuing basis was 31% lower than the prior year. NFI stabilised in Q2 and Q3, prior to the onset of the pandemic, demonstrating the underlying recovery of the business unit

- International NFI on a continuing basis declined 19% against 2019 (as restated), reflecting the global nature of the pandemic. China operations are now closed and treated as discontinued
- Contract NFI now represents 73% of Group NFI (2019 restated: 71%) on a continuing basis
- Significant cost actions taken across all areas of the business, whilst ensuring focused investment in technology to enhance remote working productivity. £1.5m of ongoing administrative costs saved in the year, with a further £4.0m of annualised savings from November 2020
- Cooperation with the US Department of Justice continues with respect to historical transactions in our discontinued telecommunication infrastructure business

Strategic Update

Implementation of the Group-wide Improvement Plan accelerated during the year, with changes focused on improving sales impact and cost reduction. Key milestones included:

- Introduced a new, targeted approach to client acquisition, delineated by industry sector
- Completed restructuring of our Technology business unit
- Scaled-up our fulfilment operation, with the business reorganised to form a core dedicated delivery capability across all of our locations, enabling a more agile response to client and market needs
- Investment in major technology platform maintained, first subsidiary was 'live' in October

Alongside the Improvement Plan, a restructuring was carried out which is expected to deliver £4m in annualised cost reductions from November 2020.

Outlook

In the first few months of the current financial year there have been some encouraging indications of increased activity within the Group's core markets, however, as the economy remains fragile, including the potential impact of an extended second lockdown in England, we remain cautious as to the timeframe for its eventual recovery. We remain confident that the work done to refocus the business, including the acceleration of the Group-wide Improvement Plan, combined with our robust balance sheet and expertise in STEM skills, leaves us well-placed to benefit from the inevitable recovery in our core markets.

Kevin Freeguard, CEO commented:

"Whilst the past 12 months have been overshadowed by the onset of the COVID-19 pandemic, I am pleased with the resilience that the business has demonstrated during this time and the strategic progress we have made. Our staff have been our number one priority during this time, and I would like to thank them for their hard work and the commitment they have shown throughout this challenging period.

"During the year, we accelerated the implementation of our Group-wide Improvement Plan and the changes made throughout the business have improved both our agility and ability to react quickly and cost-effectively to changes in demand. Prior to the pandemic the demand for STEM skills, our core focus, was growing significantly and, whilst we remain cautious as to the timeframe for economic recovery and the potential impact of an extended second lockdown in England, we have been encouraged by the signs of increased activity in our core markets in the first few months of the new financial year. With further benefits from our Improvement Plan to come, and our robust and covenant-free balance sheet, we are confident that Gattaca is well-placed for the future."

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

[1] *NFI is calculated as revenue less contractor payroll costs*
[2] *Continuing underlying results exclude non-underlying items within continuing administrative expenses (2020: £(1.2)m, 2019 £(1.4)m), the losses of discontinued operations before taxation (2020: £(2.6)m, 2019 restated: £(7.9)m), amortisation of acquired intangibles (2020: £(0.6)m, 2019 £(1.3)m), impairment of goodwill and acquired intangibles (2020: £(0.3)m, 2019 £(5.9)m), impairment of plant, property and equipment and right-of-use assets (2020: £(0.4)m, 2019:£(0.0)m) and P&L exchange (losses) / gains from revaluation of monetary foreign assets and liabilities (2020: £(0.5)m, 2019 £0.3m)*
[3] *NFI commentary is on an underlying like for like constant currency basis*

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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.

CHAIRMAN'S STATEMENT

Maintaining focus whilst demonstrating resilience in unprecedented times

This year has been very challenging, not just for Gattaca but for the UK in general. In early 2020 we saw some early softening in demand but the scale of the COVID-19 pandemic and subsequent lockdown in March was unprecedented. As with all great shocks to the system there are many true unsung heroes who keep the wheels turning. For us it was the numerous colleagues in our back office functions who enabled the entire business to work from home with only 48 hours' notice and still ensure our contractors were paid on time. Meanwhile our sales teams were supporting clients and contractors whilst our marketing team focused on internal communications to the dispersed group. In addition, in solidarity with our furloughed colleagues, everyone, at all levels of the business, took a 20% reduction in salary up until July. We truly have a strong family culture and the Board wish to express our gratitude to all the family at Gattaca.

Overview

We have maintained focus on the continuation of the Group-wide Improvement Plan that we discussed last year, and indeed have accelerated its implementation over the past 12 months. We are determined to make sure the business has the foundations to operate well in the coming years, with improved sales management and the reinforcement of a performance culture. Whilst to some extent the progress we have made in the business has been masked by the impact of the pandemic, the improvements we have implemented leave us well placed to exploit the upside when the economy improves.

A consequence of both the acceleration of the Improvement Plan and the impact of the pandemic on many of our clients has regrettably been the loss of a number of jobs across the Group. At this stage, we are clear that, so long as the pandemic is around, we will need to keep a clear focus on costs and to that end we have reduced annualised costs by a further £4m going forward. In addition, we took the decision during the year to exit our operations in China. We had been very explicit when we decided to retain the overseas operations that they needed to continue to create value – our Chinese business could not reach the levels of profitability which we demanded.

Our focus to reduce net debt has been hugely successful. We ended the year with adjusted net cash (excluding lease liabilities) of £27.3m, an improvement of £52.1m over the previous year. Part of that improvement is the result of our ability to access £13.8m of non-recourse debt financing and a further £10.3m in deferred payments to the UK Government in the form of delayed VAT payments, which become repayable at the end of March 2021. Irrespective of these one-offs we have been able to reduce debt by £11.1m through improved control of working capital including the move of some contractors to four-weekly payment terms. We have significant liquidity of £58.5m at the year-end, being our cash resources and our undrawn invoice financing facility, and since year-end have repaid and cancelled our Revolving Credit Facility thereby removing all covenants going forward. Whilst recruitment businesses typically require increased working capital in times of growth, the change in contractor terms will offset some of this as trading improves with the recovery from the pandemic and we expect to maintain a strong net cash position.

Dividend

We are conscious that this will be the second year where the Board have not recommended a dividend. We feel that given the economic headwinds the UK is facing over the next six months it would not be prudent to do so at this time. We are however committed as a Board to restoring the dividend at the earliest opportunity.

Board

We would like to thank Richard Bradford who is stepping down as a Non-Executive Director at this year's AGM after nine years' service for his contribution to the Group. His wise counsel and knowledge of our industry will be sorely missed. We are proactively seeking his replacement which we are hopeful will start to address the diversity imbalance on the Board.

Outlook

Gattaca's focus on in-demand STEM skills, in addition to the measures we have taken to strengthen the business, positions us well for the eventual, and inevitable, recovery in our core markets. Whilst we remain cautious as to the timeframe for the recovery, and the nascent second wave of the COVID-19 pandemic and the potential for an extended second lockdown in England adds further uncertainty to the near-term outlook, we are encouraged by the initial signs of improvement we have seen in the first few months of the new financial year, with increased numbers of contractors, from the low period of May, and some of our major clients seeking more permanent roles.

We have brought more staff back from furlough in anticipation of economic recovery and we will cautiously monitor activity over the coming months particularly given the recently announced second national lockdown. Whilst we expect the first six months to remain challenging, we are hopeful that the second half will see further improvement. We are confident that the changes we have made in the business leave us better placed to deal with whatever economic conditions we may face in the short term and to better benefit from the upside of the eventual recovery.

Patrick Shanley

Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Continued progress throughout the year; we are positioned well to support our clients with the critical STEM skills needed for recovery.

Introduction

Gattaca continues to play a key role partnering with our clients across multiple sectors and geographies to deliver the engineering and technology talent they need as they work through the economic and business recovery. I am proud of the way our staff have responded to support clients, contractors and candidates without any interruption to operations. Our business is resilient and we continue to make good progress with the Improvement Plan.

As with most businesses across the globe our results for the year have been impacted by the COVID-19 pandemic, Net Fee Income at £54.3m was 21% lower than prior year. Notwithstanding this, the Group delivered £4.6m of continuing underlying profit before tax, eliminated debt and is now in a strong net cash position. Whilst some of the improvement in our cash position was the result of an unwinding of working capital due to lower trading levels, a material element was driven by specific actions which have strengthened our balance sheet. We expect much of the improved position to be permanent, and as our business recovers we expect a lower rate of working capital requirement given the changes to our operating model.

Overall market

During the first half of FY20, UK market conditions were particularly challenging, driven by political uncertainty before the General Election, ongoing Brexit uncertainty and the proposed IR35 regulatory change. These external factors combined to slow investment decisions and client recruitment in both temporary and permanent markets.

As one would expect, the outbreak of COVID-19 resulted in an immediate and major decline in client requirements in the second half of the year. Whilst companies continued to recruit during this period, volumes were significantly reduced in a relatively short time frame. Towards the end of the financial year we saw numbers stabilise and subsequently there have been early indications that activity and client confidence levels are increasing, prompting us to take the decision to bring staff back from furlough.

Many of the market sectors we support remained active during the initial lockdown period, in particular Infrastructure, Defence, Energy and Technology. Whilst we were impacted with reduced activity, our core focus on STEM skills and the contract market helped us deliver a resilient performance.

Operational response to the COVID-19 situation

As the potential impact of the pandemic became apparent, our immediate priorities were to ensure our staff were able to work in a safe and stable environment; and to support our clients, contractors and candidates.

We commenced detailed planning and volume testing of our systems and processes in February and the entire Group was fully operational on a remote working basis by the end of the first week of the UK lockdown in March. We had fully remote working for several months and have since moved to a hybrid approach.

The lockdown necessitated the acceleration of many of our digitisation plans, achieving in weeks what may have otherwise taken months and we will retain the benefits of this in the years to come.

With no service interruptions, we ensured operational capability, and were able to fully deliver our part of the supply chain. We maintained existing contractor support where clients required this; delivered new skills to existing clients and began servicing new clients. We were able to tailor our business model to support our individual clients.

We took a number of actions to ensure the ongoing financial stability of the business, both in terms of cost mitigation and liquidity maximisation. The furlough scheme introduced by the UK Government was welcome and enabled us to support employees and some contractors whose roles would otherwise have been at immediate risk. We moved early to work proactively with clients to offer furlough support to contractors where this was possible.

Accelerating the Improvement Plan and cost reduction

Following my appointment we launched the Group-wide Improvement Plan in order to build on the fundamental strengths of the business to deliver long term sustainable growth.

The business was organised and united around delivering the Plan, focusing on our four strategic priorities:

- Customer Focus – growing our customer base and deepening relationships
- Product and Innovation – innovating and developing products to meet customer needs
- Service Delivery – enriching the customer experience and enhancing our service delivery capability
- Operational Excellence – improving organisational alignment and performance

I am pleased to report good progress this year. Not only did we maintain the pace of change during the pandemic, we accelerated certain elements including client service and efficiency, leading to cost reduction and focused sales improvement. This was recognised externally after the year end as our Gattaca Solutions business was included in HRO Today's 'Bakers Dozen' for being one of the top RPO (Recruitment Process Outsourcing) providers, for the first time. This is significant to us as companies are placed on the list based solely on customer feedback, making it a highly credible accolade.

We have implemented a focused approach to how we target industry sectors and are aligning our talent more closely to our operating model across the Group which will enable us to improve our sales effectiveness. This has seen the Group working more closely with existing clients and accelerating new client relationships to better support them with solutions for their talent needs as well as achieving cost efficiencies across the Group.

Internally the restructuring of the Technology business unit was completed during the year, and it has now started rebuilding for a recovery. Prior to COVID-19, the first green shoots of recovery were emerging in the business unit, with NFI run rates flattening out after the decline of the last three years, providing evidence that the strategy is working.

Our centralised Fulfilment operation was scaled during the year, and the business was reorganised to form a core dedicated fulfilment capability across all our locations. This is enabling a more agile response to client and market needs.

The Gattaca Solutions business, which is fully aligned with our fulfilment operation under the same senior management, continued to perform strongly, out-performing our traditional staffing business in difficult markets.

Internationally, our size relative to the overall market for engineering and technology skills highlights the importance of defining and focusing on our specific niches. During the year, we worked to closer align our International operations with the rest of the business. This has enabled increased collaborative business development activities, resulting in quicker client acquisition as well as greater niche skill delivery capability across borders. As the business matures and it continues to leverage the experience we have within the Group, we have started to develop more meaningful long-term relationships with some of our international customers by moving to delivering RPO solutions and exclusive recruitment projects, where we have considerable experience to draw upon from our UK operations. We see these more sustainable relationships as key to the long-term success of our International business. During the year, as previously announced, we ceased operational activity in China as we prioritised other markets.

Notwithstanding the challenging economic environment, we maintained our planned systems investment. Our Primary Business System project maintained pace during the lockdown period and we have our first UK subsidiary live on the system, with the rest of the Group coming online before the end of the 2021 financial year. This investment will be transformational for ways of working and the level of business insight and understanding across the Group.

We also implemented a number of other technology applications during the year to improve our client, candidate and staff experience. We integrated a new digital platform for our Gattaca Solutions accounts that brings greater automation, increased flexibility and enables us to implement new solutions quicker. We continue to invest in tools to support our operations introducing new applications to support real time communication, collaboration, digital coaching and training and development to create an efficient and engaging digital workplace.

In combination with the above actions aimed at driving agility and promoting growth throughout the Group, we also undertook measures to reduce costs in the business. Post period end we completed a restructuring which will achieve £4m in annualised cost reductions from November 2020.

People

During the year I was delighted to appoint Claire Cross as our new HR Director. Claire brings with her extensive industry experience and knowledge of our Group. Beyond her HR expertise, her background includes operational sales experience and she will be instrumental to our plans as we continue to grow and develop the organisation.

The pandemic has been unparalleled in terms of its impact on people both in their business and personal lives. I have been truly humbled by the way our Gattaca team has and continues to rise to the challenges we and our clients are navigating and I want to take this opportunity to thank them for their dedication, resilience and hard work.

Looking forward

Notwithstanding the obvious uncertainty in global markets, in the longer term there are significant opportunities in our chosen sectors. Prior to the COVID-19 pandemic the demand for STEM skills, our core focus, was growing significantly and, whilst we remain cautious as to the timeframe for economic recovery and the potential impact of an extended second lockdown in England, we have been encouraged by the signs of increased activity in our core markets in the first few months of the new financial year. With further benefits from our Improvement Plan to come, and our robust and covenant-free balance sheet, we are confident that Gattaca is well-placed for the future.

Kevin Freeguard

Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

2020 has been another year of intense activity. We continued our work on repositioning the business, including a much strengthened balance sheet, and of course managing the impact of the global pandemic. We delivered £4.6m of underlying profit before tax, eliminated debt and are now in a strong net cash position.

Financial performance

On a continuing basis, revenue of £538.7m (2019 restated: £634.3m) generated NFI of £54.3m (2019 restated: £69.1m). We achieved contract NFI of £39.7m (2019 restated: £49.3m) at a margin of 7.6% (2019 restated: 8.0%), and permanent recruitment fees of £14.5m (2019 restated: £19.7m).

Profit before tax from continuing operations was £1.4m (2019 restated: £3.4m).

Statutory loss after tax was £1.8m (2019: £5.9m loss).

Net cash at 31 July 2020 (excluding lease liabilities) improved considerably to £27.3m (2019: net debt of £24.8m), a £52.1m improvement including the benefit of £10.3m of VAT deferrals and a change from recourse to non-recourse financing worth £13.8m at year end, in addition to l improvements in contractor terms, DSO “Days Sales Outstanding”) and volume related movements as explained below.

Underlying results

Underlying results are shown beneath the Income Statement. Underlying continuing profit before tax at £4.6m (2019 restated: £11.7m) was £7.1m below last year with the most significant factor being the impact of the COVID-19 pandemic. Whilst we moved to full remote working within days of the various national restrictions without any interruption to our operational capability, we saw a significant and relatively sudden reduction in trading volumes, and having anticipated this, took early mitigating actions on our cost base, including acceleration of Improvement Plan efficiencies. We were also able to achieve significant positive changes in terms of digitisation and process optimisation.

Discontinued operations and non-underlying costs

The Group-wide Improvement Plan continued at pace during 2020 and drove some of the non-underlying costs below:

£’000	Profit/(Loss) Before Tax
Underlying continuing	**4,588**
Restructuring costs	(1,552)
Advisory fees primarily related to DoJ cooperation	(1,395)
Discontinued operations losses and related restructuring costs primarily with respect to China	(1,225)
Amortisation and impairment of acquired intangibles	(950)
Impairment of right-of-use leased assets (one building on our Whiteley campus)	(432)
Gain on sale of investment in Concilium Search Limited	304
Foreign exchange differences	(521)
Reported statutory for the total Group	**(1,183)**

The acceleration of certain elements of the Improvement Plan enabled restructuring both during FY20 and in the early part of FY21 and our financial statements include both the actual costs incurred in FY20 and a provision for known redundancy costs for the initiatives that have been implemented in early FY21.

Despite changes in local staffing and strategy, our China business was not generating appropriate returns and this business was closed during the year, allowing us to devote resources to markets with greater potential.

We continue to cooperate with the US Department of Justice (“DoJ”) and there have been no significant new matters in this regard during the year. Legal fees on this matter were £1.4m in the year (2019: £3.4m), the vast majority of which were incurred in the first half of the year. As shown in Note 28 to the Financial Statements, the Group is not currently in a position to know what the outcome of these enquiries may be, therefore we are unable to make any type of quantification of the potential financial impact, if any.

During the year, we took an additional impairment charge of £0.3m (2019 £5.9m) writing off all remaining intangible asset values relating to the UK Technology business of Networkers, acquired in 2015. All International intangible asset values relating to Networkers were written off in prior periods.

Following the closure of our Bromley office last year, we have also made the decision to close one of the buildings on our Whiteley campus. This was primarily enabled by the restructurings noted above. We fully intend to build on the positive lessons learnt during the UK lockdown, including the benefits of flexible working. In the long run this is likely to mean a hybrid approach and using our offices in different ways to before. We expect the remaining office space in London Bridge, Whiteley and Winnersh to be sufficient for the business as we grow through the recovery and beyond.

Cost actions and UK Government Coronavirus

Job Retention Scheme

We took significant cost actions during the year to mitigate as much of the impact of reduced NFI as possible, and welcomed the UK Government Job Retention Scheme which enabled us to support staff and contractors.

The UK Government Job Retention Scheme enabled us to take a more considered view of the resourcing level adjustments necessitated by the abrupt and significant changes in the economic landscape. Without the scheme we would have been compelled to make significant reductions to our workforce at the start of the lockdown, and inevitably this would have been more severe when uncertainty was at its highest.

During the year we claimed £2.4m with respect to our contractors and £1.5m with respect to our staff, enabling us to provide continued financial support to individuals whilst we and our clients took the appropriate time to assess our needs with much greater knowledge around the short and likely medium- terms impacts to our businesses and the necessary cost actions.

All staff and Directors who remained working in the business during this time also made a sacrifice through a 20% reduction in salary for a period of time, reducing 2020 costs by £0.7m. In addition we reassessed structures in the UK and internationally, with some de-layering, which benefited results in 2020 by £1.7m. Commissions were lower by £3.6m due to lower trading volumes and there were no Board and central staff bonuses, saving £1.8m compared to prior year. In September 2020 we concluded a staff consultation process, the impact of which will be a further reduction of £4m in staff costs on an annualised basis. We will review our staffing needs as the recovery takes shape. At this time, we believe we have significant capacity to absorb increased trading without the need to increase significantly overall headcount.

Taxation

The Group's reported effective tax rate of 50.5% (2019: 31.6%) was driven up by the impact of overseas losses not recognised as deferred tax assets. The continuing underlying effective tax rate was 27.7% (2019 restated: 21.3%), similarly impacted by the same overseas losses.

Earnings per share

Basic earnings per share was negative 5.5 pence (2019: negative 18.3 pence), and on a fully diluted basis was negative 5.5 pence (2019: negative 17.8 pence).

Continuing underlying basic earnings per share was 10.3 pence (2019 restated: 28.4 pence).

Dividends

We are very much cognisant that our shareholders have shown great patience as we have worked to strengthen our balance sheet and reposition the business. Given the economic headwinds the UK faces over the next six months the Board is not recommending a final dividend for 2020. We are however committed as a Board to restoring the dividend at the earliest opportunity.

Capital expenditure

Capital expenditure in the year was £2.6m (2019: £3.5m) of which £2.3m related to software. Having a single set of integrated and effective systems across the Group is critical to our long-term success and during the lockdown we maintained the pace of our Primary Business Systems project. One of our subsidiaries is already live on the system and we expect all of our businesses to be operating on the new systems by the end of FY21.

Sale of holding in Concilium

On 27 November 2019 we sold our 10% holding in Concilium Search Limited realising a gain of £0.3m which has been included in non-underlying items.

Net assets and shares in issue

At 31 July 2020 the Group had net assets of £39.8m (2019: £41.9m) and had 32.3m (2019: 32.3m) fully paid ordinary shares in issue.

Cash flow and net debt

Net cash at 31 July 2020 was £19.6m (2019: net debt £(24.8)m). Adjusted net cash (net cash excluding IFRS 16 lease liabilities) was £27.3m (2019: net debt £(24.8)m). Reducing our financial leverage has been a key objective for the last three years and we are pleased with this progress, having had net debt of £(40.3)m at 31 July 2017. As the UK was heading towards lockdown, we took immediate measures to ensure our balance sheet could weather whatever storms might lie ahead and prior to the announcement by the Chancellor on the UK-wide Government support schemes, we were able to secure agreement from HMRC to defer our VAT payments until the end of March 2021, and other tax payments for a shorter period. At 31 July 2020, our cash position included the benefit of £10.3m from these deferrals.

A further element of the improvement is driven by reduced trading activity which enabled an unwinding of working capital. We expect a very substantial element of the overall working capital improvement to be permanent as described below.

We have changed the payment terms for contractors earning above a certain level from seven to 28 days which is in alignment with normal payment cycles for businesses and most company employees. This change reduces significantly the gap between payments to contractors and payments from our customers. As well as the immediate benefit at the point of change, the new terms should mean a lower requirement for additional working capital as our business grows through the inevitable economic recovery and thereafter. We have so far effectively reduced the period of funding business from 20 days to 16 days and as this change initiative was still in the process of implementation at year end, we expect further improvement as this initiative is further embedded.

We have also continued to improve further our cash collections capability with DSO (days sales outstanding, based on a three-month average and including sales taxes) of 41 (2019: 45) representing a further four day advancement on the substantial improvement achieved last year. Our DSO calculation includes trade receivables transferred to HSBC but on whose behalf we perform collection services.

As a result of the current economic climate we have noticed increased pressure from customers for longer payment terms, and any increased mix of trading with infrastructure clients may also lead to longer average terms, as this sector tends to pay less promptly than other sectors. However, we remain resolute in maintaining our strong working capital performance and this will continue to be a key focus for the Group.

Following our refinancing in October 2019, in January 2020 we transferred a portion of our recourse working capital facility to a non-recourse working capital facility whereby the trade receivables assigned to the facility are owned by HSBC, thereby reducing receivables and our indebtedness.

Our liquidity, being our cash resources and the unused headroom in our invoice financing facilities which could be drawn against existing invoices at 31 July 2020 was very strong at £58.5m.

Cash generated from operations at £59.1m (2019: £24.1m) was £35.0m higher than prior year driven by the factors summarised above.

Banking facilities and interest rate risk

As of 31 July 2020 the Group had a working capital facility of £75m.

Given our strong liquidity position, the Board decided to repay the remaining £7.5m of our Revolving Credit Facility in October 2020 and cancel the facility. All previous covenants were attached to this facility and as a result of the repayment and cancellation of the facility, the Group no longer has any covenant obligations.

Brexit

The Board continues to follow Brexit developments closely. The economic effect of these developments on business confidence is an important factor for us to the extent it affects the UK economic environment, as noted in the Principal Risks and Uncertainties report on page 48.

Critical accounting policies

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

IFRS 16

IFRS 16 was adopted by the Group from 1 August 2019, choosing to adopt the transition approach which did not require comparatives to be restated. At 31 July 2020, the Group held Right-of-Use lease assets of £6.5m and lease liabilities of £7.7m on the balance sheet. In 2020, depreciation and impairment expense of £2.3m was charged in respect of Right-of-Use lease assets and interest expense on lease liabilities was £0.2m. Operating lease expense of £0.2m (2019: £2.3m) was also recorded in the income statement in 2020 for leases where exemptions were taken from IFRS 16, for those with assets of low value or short-term leases of less than 12 months; the expense in 2019 was for all the Group's leases prior to adoption of IFRS 16.

There was no impact of adopting IFRS 16 in 2020 on continuing underlying PBT.

Group financial risk management

The Board reviews and agrees policies for managing financial risks. The Group's finance function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It seeks to ensure that adequate liquidity exists at all times, to meet its cash requirements. The Group's financial instruments comprise borrowings, cash and various items, such as trade receivables and trade payables that arise from its operations, and some matching forward foreign exchange contracts. The Group does not trade in financial instruments. The main risks arising from the Group's financial instruments are described below.

Credit risk

The Group trades only with recognised, creditworthy third parties. We monitor receivable balances on an ongoing basis and in 2020 have taken a prudent approach to receivables risk and have increased our loss allowance by £1.8m to £4.0m. Whilst our receivables write offs during the year at £0.5m are only slightly higher than the £0.4m in the prior year, we believe that given the uncertainty in the economic headwinds in the UK and abroad, a prudent approach is the right one. We shall be monitoring actual default rates closely over the next few months, especially as companies cease to benefit from the various support schemes such as the UK Job Retention Scheme and VAT deferrals.

There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 8% (2019: 4%) of total receivables balances at 31 July 2020.

Foreign currency risk

The Group generates 12% of its annualised NFI from continuing business in international markets. The Group does face risks to both its reported performance and cash position arising from the effects of exchange rate fluctuations. The Group manages these risks by matching sales and direct costs in the same currency and where appropriate entering into forward exchange contracts to minimise the gap in assets and liabilities denominated in foreign currencies.

Salar Farzad
Chief Financial Officer

Consolidated Income Statement

For the year ended 31 July 2020

	Note	2020 £'000	Restated[1] 2019 £'000
Continuing Operations			
Revenue	2	538,651	634,281
Cost of sales		(484,375)	(565,226)
Gross profit	2	54,276	69,055
Administrative expenses[2]		(50,914)	(63,956)
Profit from continuing operations	4	3,362	5,099
Finance income	6	91	364
Finance cost	7	(2,016)	(2,095)
Profit before taxation		1,437	3,368
Taxation	10	(866)	(1,485)
Profit for the year after taxation from continuing operations		571	1,883
Discontinued operations			
Loss for the year from discontinued operations (attributable to equity holders of the Company)	11	(2,352)	(7,784)
Loss for the year		(1,781)	(5,901)

Losses for the year for 2020 and 2019 are wholly attributable to equity holders of the Company. The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Parent Company Income Statement.

Earnings per ordinary share	Note	2020 pence	2019 pence
Basic earnings per share	12	(5.5)	(18.3)
Diluted earnings per share	12	(5.5)	(17.8)

Reconciliation to adjusted profit measure

Underlying profit is the Group's key adjusted profit measure; profit from continuing operations is adjusted to exclude non-underlying income and expenditure as defined in the Group's accounting policy, amortisation and impairment of goodwill and acquired intangibles, impairment of leased right-of-use assets and net foreign exchange gains or losses.

	Note	2020 £'000	Restated[1] 2019 £'000
Profit from continuing operations		3,362	5,099
Add			
Depreciation of property, plant and equipment, depreciation of leased right-of-use assets and amortisation of software and software licences	2	3,245	1,202
Non-underlying items included within administrative expenses	2,4	1,248	1,441
Amortisation and impairment of goodwill and acquired intangibles and impairment of leased right-of-use assets	2	1,382	7,146
Underlying EBITDA		9,237	14,888
Less			
Depreciation and impairment of property, plant and equipment, leased right-of-use assets and amortisation of software and software licences		(3,245)	(1,202)
Net finance costs excluding foreign exchange gains and losses	6,7	(1,404)	(2,032)
Underlying profit before taxation		4,558	11,654
Underlying taxation	10	(1,271)	(2,501)
Underlying profit after taxation from continuing operations		3,317	9,153

1 2019 figures have been restated for the presentation of discontinued operations as explained in Note 11.

2 Administrative expenses from continuing operations includes net impairment losses on trade receivables and accrued income of £2,716,000 (2019: £305,000).

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2020

	2020 £'000	2019 £'000
Loss for the year	(1,781)	(5,901)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(1,091)	645
Other comprehensive (loss)/income for the year	(1,091)	645
Total comprehensive loss for the year attributable to equity holders of the parent	(2,872)	(5,256)

	2020 £'000	Restated[1] 2019 £'000
Attributable to:		
Continuing operations	(172)	1,531
Discontinued operations	(2,700)	(6,787)
	(2,872)	(5,256)

1 2019 figures have been restated for the presentation of discontinued operations as explained in Note 11.

Consolidated and Company Statements of Changes in Equity

For the year ended 31 July 2020

A) Consolidated

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Total
At 1 August 2018	323	8,706	28,750	1,074	299	–	7,867	47,019
Loss for the year	–	–	–	–	–	–	(5,901)	(5,901)
Other comprehensive income	–	–	–	–	645	–	–	645
Total comprehensive income/(loss)	–	–	–	–	645	–	(5,901)	(5,256)
Deferred tax movement in respect of share options	–	–	–	–	–	–	15	15
Share-based payments charge (Note 23)	–	–	–	269	–	–	–	269
Share-based payments reserves transfer	–	–	–	(590)	–	–	590	–
Purchase of treasury shares	–	–	–	–	–	(140)	–	(140)
Transactions with owners	–	–	–	(321)	–	(140)	605	144
At 31 July 2019	323	8,706	28,750	753	944	(140)	2,571	41,907
At 1 August 2019 as per originally presented	323	8,706	28,750	753	944	(140)	2,571	41,907
Adjustment on initial application of IFRS 16, net of tax	–	–	–	–	–	–	770	770
Restated total equity at 1 August 2019	323	8,706	28,750	753	944	(140)	3,341	42,677
Loss for the year	–	–	–	–	–	–	(1,781)	(1,781)
Other comprehensive loss	–	–	–	–	(1,091)	–	–	(1,091)
Total comprehensive loss	–	–	–	–	(1,091)	–	(1,781)	(2,872)
Deferred tax movement in respect of share options	–	–	–	–	–	–	(16)	(16)
Reversal of share-based payments charge (Note 23)	–	–	–	(60)	–	–	–	(60)

Share-based payments reserves transfer	–	–	–	(167)	–	–	167	–
Issue of treasury shares to employees	–	–	–	–	–	43	–	43
Transactions with owners	–	–	–	(227)	–	43	151	(33)
At 31 July 2020	323	8,706	28,750	526	(147)	(97)	1,711	39,772

B) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share–based payment reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2018	323	8,706	28,526	1,074	–	2,031	40,660
Loss and total comprehensive expense for the year (Note 9)	–	–	–	–	–	(231)	(231)
Share-based payments charge (Note 23)	–	–	–	269	–	–	269
Share-based payments reserves transfer	–	–	–	(590)	–	590	–
Transactions with owners	–	–	–	(321)	–	590	269
At 31 July 2019	323	8,706	28,526	753	–	2,390	40,698
At 1 August 2019	323	8,706	28,526	753	–	2,390	40,698
Loss and total comprehensive expense for the year (Note 9)	–	–	–	–	–	(1,111)	(1,111)
Reversal of share-based payments charge (Note 23)	–	–	–	(60)	–	–	(60)
Share-based payments reserves transfer	–	–	–	(167)	–	167	–
Transactions with owners	–	–	–	(227)	–	167	(60)
At 31 July 2020	323	8,706	28,526	526	–	1,446	39,527

Consolidated and Company Statements of Financial Position

As at 31 July 2020

		Group		Company	
	Note	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Non-current assets					
Goodwill and intangible assets	13	12,877	11,751	16	–
Property, plant and equipment	14	1,492	3,292	–	–
Right-of-use assets	22	7,338	–	–	–
Investments	15	19	–	8,520	8,580
Deferred tax assets	16	–	–	–	–
Total non-current assets		21,726	15,043	8,536	8,580
Current assets					
Trade and other receivables	17	48,888	96,728	101,885	101,158
Cash and cash equivalents		34,796	19,173	–	–
Total current assets		83,684	115,901	101,885	101,158
Total assets		105,410	130,944	110,421	109,738
Non-current liabilities					
Deferred tax liabilities	16	(277)	(396)	–	–
Provisions	18	(2,558)	(2,349)	–	–
Lease liabilities	22	(5,746)	–	–	–
Bank loans and borrowings	20	(7,304)	(14,957)	(7,304)	(14,957)
Total non-current liabilities		(15,885)	(17,702)	(7,304)	(14,957)
Current liabilities					
Trade and other payables	19	(46,129)	(40,676)	(63,590)	(54,083)
Provisions	18	(236)	(332)	–	–
Current tax liabilities		(1,247)	(1,289)	–	–
Lease liabilities	22	(1,990)	–	–	–
Bank loans and borrowings	20	(151)	(29,038)	–	–

Total current liabilities		(49,753)	(71,335)	(63,590)	(54,083)
Total liabilities		(65,638)	(89,037)	(70,894)	(69,040)
Net assets		39,772	41,907	39,527	40,698
Equity					
Share capital	23	323	323	323	323
Share premium		8,706	8,706	8,706	8,706
Merger reserve		28,750	28,750	28,526	28,526
Share-based payment reserve		526	753	526	753
Translation reserve		(147)	944	–	–
Treasury shares reserve		(97)	(140)	–	–
Retained earnings		1,711	2,571	1,446	2,390
Total equity		39,772	41,907	39,527	40,698

The accompanying notes on pages 98 to 137 form part of these Financial Statements.

The Financial Statements on pages 92 to 137 were approved by the Board of Directors on 3 November 2020 and signed on its behalf by

Salar Farzad

Chief Financial Officer

Consolidated and Company Cash Flow Statements

For the year ended 31 July 2020

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash flows from operating activities				
Loss after taxation	(1,781)	(5,901)	(1,111)	(231)
Adjustments for:				
Depreciation of property, plant and equipment and amortisation of goodwill and intangible assets	1,831	2,483	4	–
Depreciation of leased right-of-use assets	2,041	–	–	–
Profits from sale of subsidiary, associate or investment	(304)	(135)	–	–
Loss on disposal of property, plant and equipment	52	67	–	–
Impairment of goodwill and acquired intangibles and right-of-use assets	766	5,882	–	–
Interest income	(91)	(437)	–	–
Interest costs	1,936	2,096	593	637
Taxation expense recognised in Income Statement	598	1,417	(339)	(281)
Decrease/(increase) in trade and other receivables	47,537	17,225	–	(5,950)
Increase/(decrease) in trade and other payables	5,453	(174)	9,120	6,436
Increase in provisions	1,085	1,291	–	–
Share-based payment charge	77	269	–	–
Investment income	–	–	–	(968)
Cash generated from/(used in) operations	59,200	24,083	8,267	(357)
Interest paid	(1,052)	(1,993)	(524)	(611)
Interest on lease liabilities	(214)	–	–	–
Interest received	91	86	–	–
Income taxes paid	(387)	(2,523)	–	–
Cash generated from/(used in) operating activities	57,638	19,653	7,743	(968)
Cash flows from investing activities				
Purchase of plant and equipment	(191)	(673)	–	–
Purchase of intangible assets	(2,348)	(2,876)	(20)	–
Purchase of investments	(19)	–	–	–

Proceeds from sale of subsidiary, associate or investment	304	2	–	–
Proceeds from sale of property, plant and equipment	–	26	–	–
Dividend received	–	–	–	968
Cash (used in)/generated from investing activities	(2,254)	(3,521)	(20)	968
Cash flows from financing activities				
Lease liability principal repayment	(1,987)	–	–	–
Purchase of treasury shares	(67)	(140)	–	–
Working capital facility (repaid)	(28,968)	(6,740)	–	–
Finance costs paid	(223)	–	(223)	–
Repayment of term loan	(7,500)	–	(7,500)	–
Cash used in financing activities	(38,745)	(6,880)	(7,723)	–
Effects of exchange rates on cash and cash equivalents	(1,016)	163	–	–
Increase in cash and cash equivalents	15,623	9,415	–	–
Cash and cash equivalents at the beginning of year	19,173	9,758	–	–
Cash and cash equivalents at end of year[1]	34,796	19,173	–	–

Net decrease in cash and cash equivalents for discontinued operations was £1,164,000 (2019 restated: decrease of £2,046,000).

1 Included in cash and cash equivalents is £2,034,000 of restricted cash (2019: £nil) which meets the definition of cash and cash equivalents but is not available for use by the Group. This balance arises from the Group's non-recourse working capital arrangements, which were entered into in 2020 as explained in Note 20.

Notes Forming Part of the Financial Statements

1 The Group and Company Significant Accounting Policies

1.1 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 Company's registration number is 04426322.

1.2 Basis of preparation of the Financial Statements

The Financial Statements of Gattaca plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

These Financial Statements have been prepared under the historical cost convention. The accounting policies have been applied consistently to all years throughout both the Group and the Company for the purposes of preparation of these Financial Statements, apart from the adoption of IFRS 16 from 1 August 2019 using the modified retrospective approach to transition, under which comparative information in 2019 has remained as presented under IAS 17. A summary of the principal accounting policies of the Group are set out below.

The preparation of Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements, are disclosed in Note 1.23.

1.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows and liquidity position are described in the Chief Financial Officer's Report.

There continues to be significant uncertainty regarding the ongoing potential future impact of the COVID-19 outbreak on our clients and resultant trading activity. We continue to monitor any changes and have regular management and monthly Board meetings to assess the situation. We have a wide spread of customers across multiple sectors but recognise that COVID-19 continues to impact many of our customers and contractors across many industries.

The majority of our staff have now been working remotely for over seven months and there has not been any significant impact to our ability to operate effectively. The initial reduction in contractor numbers in April 2020, whilst impacting profitability, has resulted in reduced working capital requirements and has created further liquidity. The Group has also undertaken other actions, including an increase to the payment terms of certain contractors and these actions have created a permanent working capital benefit, and will reduce our working capital requirements during growth. We have seen early signs of minor extensions in debtor days as a result of the pandemic impact on trading at our clients and we continue to be alert for any sudden changes. There is sufficient headroom on our working capital facilities to absorb a level of extensions but we would also manage supply to the customer if payment within an appropriate period was not being made. A significant deterioration in payment terms would significantly impact the Group's liquidity. Our future cost base has also been significantly reduced following both a number of redundancies in 2020 as well as a larger scale UK redundancy programme announced just before year end.

Having repaid and cancelled the Revolving Credit Facility on 27 October 2020, the Group is now covenant free.

The Directors have prepared detailed cash flow forecasts to July 2023, covering a period of 33 months from the date of approval of these financial statements. This base case is drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. This conservative base case assumes a recovery of the UK business to 80% of pre-COVID-19 contract and permanent NFI by the second half of 2021, with further recovery over the 2022 and 2023 years. Trading has been in line with this forecast since the year end.

The output of the base case forecasting process has been used to perform sensitivity analysis on the Group's cash flow to model the potential effects should principal risks actually occur either individually or in unison. The sensitivity analysis modelled scenarios in which the Group incurred a sustained loss of business arising from a prolonged global downturn as a result of the COVID-19 pandemic, with a range of slower recovery scenarios considered. The Group has modelled the impact of a number of severe but plausible scenarios including the sustained loss of over 55% of our permanent NFI until July 2022 compared to March 2020 pre-COVID run rates, and a 29% sustained reduction in contractor NFI over the same period, again compared to March 2020 pre-COVID run rates, and slow recovery after that point. This is in conjunction with the UK Government's Coronavirus Job Retention Scheme ending as currently planned and the repayment of our deferred HMRC payments in full in March 2021. These scenarios, whilst severe, still show the Group continuing as a going concern and actual current trading performance is trending above the modelled downside scenarios. We have also not quantified or included in the sensitivity analysis, further working capital benefits which are likely to occur as we fully embed new payment terms across a larger proportion of contractor base.

After making appropriate enquiries and considering the uncertainties described above, the Directors have a reasonable expectation at the time of approving these financial statements that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future. Following careful consideration the Directors do not consider there to be a material uncertainty with regards to going concern and consider it is appropriate to adopt the going concern basis in preparing the financial statements.

1.4 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 July 2020 consolidated 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)
- IFRS 16 (amendments) COVID-19 related rent concessions (effective 1 June 2020)

Under IFRS 16 Leases, for all applicable leases, the Group has recognised within the Consolidated Statement of Financial Position a right-of-use asset and a lease liability, and within the Consolidated Income Statement, operating lease rental charges have been replaced with depreciation and interest expense. The accounting policy under this standard is shown in Note 1.13 and the impact of this change has been disclosed in Note 22 to these 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.

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 year, as these were either not material or were not relevant to the Group or Company.

New standards in issue, not yet adopted

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's or Company's operations
or results.

Forthcoming requirements

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

Standard		**Effective date (annual periods beginning on or after)**
IAS 1 Amendments	Classification of liabilities as current or non-current	1 January 2022
IAS 16 Amendments	Property, plant and equipment: proceeds before intended use	1 January 2022
IAS 37 Amendments	Onerous contracts-cost of fulfilling a contract	1 January 2022
IFRS 3 Amendments	Reference to the conceptual framework	1 January 2022

1.5 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.

1.6 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. In addition, 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.

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 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.

1.7 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to operating activities.

Government grants are recognised when there is a reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received. They are recognised in the Income Statement on a systematic basis over the periods in which the related costs that they compensate are recognised as expenses.

Grants are either presented as grant income or deducted in reporting the related expense they compensate in the Income Statement.

1.8 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 proper understanding of the Group's business performance.

Items which are included within this category include but are not limited to:

- costs of acquisitions;

- integration costs following acquisitions; and
- material restructuring costs including related professional fees and staff costs

In addition, the Group also excludes from underlying results amortisation and impairment of goodwill and acquired intangibles, impairment of leased right-of-use assets and net foreign exchange gains or losses.

Specific adjusting items are included as non-underlying based on the following rationale:

Item	Distorting due to irregular nature year on year	Distorting due to fluctuating nature (size)	Does not reflect in-year operational performance of continuing business
Costs of acquisitions	•	•	•
Integration costs following acquisitions	•		•
Material restructuring costs		•	•
Amortisation and impairment of goodwill and acquired intangibles	•	•	•
Impairment of leased right-of-use assets	•	•	•
Net foreign exchange gains and losses		•	•
Tax impact of the above	•	•	•

1.9 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.

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

1.11 Intangible assets

Customer relationships

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

Trade names and trademarks

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

Software and software licences

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

Internally generated intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products are capitalised as part of internally generated software and include employee costs and professional fees attributable to the development of the asset. Other expenditure that does not meet these criteria is 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.

1.12 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 at the time of disposal.

1.13 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.

The Group leases office property, motor vehicles and equipment. Rental contracts range from monthly to eight years.

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. Contracts may contain both lease and non-lease components, and consideration is allocated in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis at the lease commencement date. Lease liabilities include the net present value of the fixed payments less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the group under residual value guarantees, the exercise price of any purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease if that option is expected to be taken.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are discounted at either the interest rate implicit in the lease or when this interest rate cannot be readily determined, the Group's incremental borrowing rate associated with a similar asset. When calculating lease liabilities, the Group uses its incremental borrowing rate, being the rate it would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic climate with similar terms, security and conditions. This is estimated using publicly available data adjusted for changes specific to the lease in financing conditions, lease term, country and currency.

The Group does not have leases with variable lease payments based on an index or rate.

Extension or termination options are included in a number of the Group's leases. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise, or not to exercise, an option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The lease term is reassessed if an option is actually exercised or the Group becomes obliged to exercise (or not to exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs that is within the control of the Group.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs

Right-of-use assets are depreciated on a straight-line basis over the term of the lease with depreciation expense recognised in the income statement.

Lease modifications are a change in scope of a lease that was not part of the original lease. Any change that is triggered by a clause already part of the original lease contract is a re-assessment and not a modification. Changes to lease cash flows as part of a re-assessment result in a re-measurement of the lease liability using an updated discount rate and a corresponding adjustment to the carrying value of the right-of-use asset.

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. Payments associated with short-term leases and leases of low value are recognised on a straight-line basis as an expense in profit or loss.

1.14 Taxation

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

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the 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.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to the offset and there is an intention to settle balances on a net basis.

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.

1.15 Pension costs

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

1.16 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.

1.17 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 require the application of the '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 customers in different industries, 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.

Non-recourse receivables factoring is not recognised as a financial liability as there is no contractual obligation to deliver cash; subsequently, the receivables are de-recognised and any difference between the receivable value and amount received through non-recourse factoring is recognised as a finance cost.

1.18 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.

1.19 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 not recognised for future operating losses.

1.20 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.

1.21 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.

The individual financial statements of each Group company are presented in its functional currency. On consolidation, the assets and liabilities of overseas subsidiaries, including any related goodwill, are translated to Sterling at the rate of exchange at the balance sheet date. The results and cashflows of overseas subsidiaries are translated to Sterling using the average rates of exchange during the period. Exchange adjustments arising from the re-translations of the opening net investment and the results for the period to the period end rate are accounted for in the translation reserve in the statement of comprehensive income. On divestment, these exchange differences are reclassified from the translation reserve to the Income Statement.

1.22 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

1.23 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, any insurance coverage in place and the current economic conditions. As a result, expected credit loss provisions for impairment of trade receivables have been recognised, as discussed in Note 18. The impact of COVID-19 has been incorporated into these estimates.

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. The impact of COVID-19 has been reflected in the forecast future cashflows. Further details on the sensitivity of the carrying value of goodwill and intangible assets to changes in the key assumptions are set out in Note 13.

2 Segmental Information

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

2020 **All amounts in £'000**	**UK Engineering**	**UK Technology**	**International**	**Continuing underlying operations**	**Non–underlying items**[1]	**Discontinued operations**	**Group total**
Revenue	416,515	104,306	17,830	538,651	–	339	538,990
Gross profit	39,808	7,971	6,497	54,276	–	391	54,667
Operating contribution	24,538	3,436	1,300	29,274	–	(740)	28,534
Depreciation, impairment and amortisation	(2,509)	(628)	(108)	(3,245)	(1,382)	(11)	(4,638)
Central overheads	(15,106)	(2,732)	(2,199)	(20,037)	(1,248)	(1,949)	(23,234)
Profit/(loss) from operations	6,923	76	(1,007)	5,992	(2,630)	(2,700)	662
Finance (cost)/income, net				(1,404)	(521)	80	(1,845)
Profit/(loss) before taxation				4,588	(3,151)	(2,620)	(1,183)

1 Non-underlying items includes non-underlying income and expenses, amortisation and impairment of goodwill and acquired intangibles, impairment of right-of-use assets and net foreign exchange gains or losses.

2019 Restated[1] **All amounts in £'000**	**UK Engineering**	**UK Technology**	**International**	**Continuing underlying operations**	**Non-underlying items**[2]	**Discontinued operations**	**Group total**
Revenue	475,903	136,084	22,294	634,281	–	12,904	647,185
Gross profit	49,442	11,575	8,038	69,055	–	3,043	72,098
Operating contribution	27,489	5,902	1,860	35,251	–	(551)	34,700
Depreciation, impairment and amortisation	(904)	(258)	(40)	(1,202)	(7,146)	(17)	(8,365)
Central overheads	(14,759)	(3,835)	(1,769)	(20,363)	(1,441)	(7,356)	(29,160)
Profit/(loss) from operations	11,826	1,809	51	13,686	(8,587)	(7,924)	(2,825)
Finance (cost)/income, net				(2,032)	301	72	(1,659)
Profit/(loss) before taxation				11,654	(8,286)	(7,852)	(4,484)

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

Geographical information

	Total Group revenue		**Non-current assets**	
All amounts in £'000	**2020**	**2019**	**2020**	**2019**

UK	515,869	613,055	21,051	14,844
Rest of Europe	3,469	4,313	1	1
Middle East and Africa	1,786	5,658	286	13
Americas	17,534	21,966	388	172
Asia Pacific	332	2,193	–	13
Total	538,990	647,185	21,726	15,043

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

1 2019 figures have been restated for the presentation of discontinued operations as explained in Note 11.

2 Non-underlying items includes non-underlying income and expenses, amortisation and impairment of goodwill and acquired intangibles, impairment of right-of-use assets and net foreign exchange gains or losses.

3 Revenue From Contracts With Customers

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

Major service lines – continuing underlying operations

	UK Engineering		UK Technology		International		Total	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**	**2020 £'000**	**Restated[1] 2019 £'000**	**2020 £'000**	**Restated[1] 2019 £'000**
Temporary placements	407,494	463,840	102,660	133,491	13,678	17,022	523,832	614,353
Permanent placements	8,734	11,887	1,654	2,593	4,152	5,261	14,540	19,741
Other	287	176	(8)	–	–	11	279	187
Total	416,515	475,903	104,306	136,084	17,830	22,294	538,651	634,281

Timing of revenue recognition – continuing underlying operations

	UK Engineering		UK Technology		International		Total	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**	**2020 £'000**	**Restated[1] 2019 £'000**	**2020 £'000**	**Restated[1] 2019 £'000**
Point in time	416,228	475,903	104,306	136,084	17,830	22,294	538,364	634,281
Over time	287	–	–	–	–	–	287	–
Total	416,515	475,903	104,306	136,084	17,830	22,294	538,651	634,281

No single customer contributed more than 10% of the Group's revenues (2019: none). Revenue is wholly recognised in relation to performance obligations satisfied in the period.

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

	31 July 2020 £'000	31 July 2019 £'000
Trade receivables (Note 17)	27,703	71,704
Accrued income (Note 17)	15,900	22,837
Deferred income (Note 19)	(1,090)	(566)

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 and is classified in current assets. Deferred income at a given reporting date is recognised as revenue in the following financial year once performance obligations are satisfied and is classified in current liabilities.

1 2019 figures have been restated for the presentation of discontinued operations as explained in Note 11.

4 Profit/(Loss) From Total Operations

	2020 £'000	2019 £'000
Profit/(loss) from total operations is stated after charging/(crediting):		
Depreciation of plant, property and equipment (Note 14)	943	891
Depreciation of right-of-use leased assets (Note 22)	2,041	–
Amortisation of acquired intangibles (Note 13)	616	1,264
Amortisation of software & software licences (Note 13)	272	328
Impairment of goodwill and acquired intangibles (Note 13)	334	5,882
Impairment of right-of-use leased assets (Note 22)	432	–
Loss on disposal of property, plant and equipment	52	67
Operating lease costs:		
– Plant and machinery	47	316
– Land and buildings	192	2,033
Non-recourse working capital facility bank charges	241	–
Share-based payment charges	77	269
Net losses/(gains) on foreign currency translation	521	(302)

The aggregate auditors' remuneration was as follows:

	2020 £'000	2019 £'000
Fees payable for the audit of the Parent Company financial statements	10	10

Fees payable for the audit of the subsidiary company financial statements	294	247
Total auditors' remuneration	304	257
Non-audit services:		
– Taxation	–	–
– Other services pursuant to legislation	–	–
Total non-audit services	–	–

Non-underlying items included within Administrative Expenses were as follows:

Continuing operations	**2020 £'000**	**2019 £'000**
Integration costs[1]	–	1,441
Restructuring costs[2]	1,552	–
Gain on sale of investment[3]	(304)	–
Non-underlying items included in profit from continuing operations	1,248	1,441

Discontinued operations	**2020 £'000**	**2019 £'000**
Recognition of onerous lease provision[4]	–	1,102
Advisory fees[5]	1,395	3,424
Costs relating to discontinuation of group undertakings[6]	554	1,205
Non-underlying items included in loss from discontinued operations	1,949	5,731
Total non-underlying items	3,197	7,172

1 Integration costs of £1,441,000 were incurred in 2019 in relation to the closure of the previous Networkers Group head office and the integration of the sales and support functions into the wider Gattaca group, including certain employee restructuring costs.

2 Restructuring costs of £1,552,000 (2019: £nil) were incurred in 2020 in respect of employee related expenses and professional fees.

3 In November 2019, the Group concluded the sale of its 10% minority interest investment in Concillium Search Limited for consideration in cash of £304,000. The investment carrying value was £nil, so a profit on sale of investments of £304,000 was recognised, and presented as non-underlying due to its material value and nature not arising from trading activities.

4 Prior to the adoption of IFRS 16, an onerous lease provision of £1,102,000 was recognised in 2019 in respect of property directly affected by the closure of the contract Telecoms Infrastructure business.

5 Legal fees incurred in 2020 and 2019 in relation to the Group's co-operation with certain voluntary enquiries from the US Department of Justice.

6 Ongoing costs relating to the preparation of entities affected by the closure of the contract Telecoms Infrastructure business for liquidation, including professional fees and impairment of certain working capital balances. In addition for 2020, closure costs relating to the Group's operations in China, including staff termination costs, legal and advisory fees and impairment of certain working capital balances.

5 Particulars of Employees

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

Total operations	2020 No.	2019 No.
Sales	482	531
Administration	176	200
Directors	7	8
Total	665	739

There are no employees employed by the Parent Company (2019: nil).

The aggregate payroll costs of the above were:

Total operations	2020 £'000	2019 £'000
Wages and salaries	27,918	37,189
Social security costs	3,394	4,484
Other pension costs	806	905
Share-based payments	77	269
Total	32,195	42,847

Amounts due to defined contribution pension providers at 31 July 2020 were £117,000 (2019: £165,000).

Disclosure of the remuneration of the statutory Directors is further detailed in the audited part of the Remuneration Report on pages 76 to 83. Disclosure of the remuneration of Group's key management personnel, as required by IAS 24, is detailed below:

Total operations	2020 £'000	2019 £'000
Short-term employee benefits	1,687	2,296
Contributions to defined contribution pension schemes	119	163
Share-based payments	(62)	(22)
Total	1,744	2,437

6 Finance Income

Continuing operations	2020 £'000	Restated[1] 2019 £'000
Interest income	91	63
Net gains on foreign currency translation	–	301

Total	91	364

1 2019 figures have been restated for the presentation of discontinued operations as explained in Note 11.

7 Finance Costs

Continuing operations	**2020 £'000**	**Restated[1] 2019 £'000**
Bank interest expense	1,130	1,992
Interest expense on lease liabilities	214	–
Amortisation of capitalised finance costs	151	103
Net losses on foreign currency translation	521	–
Total	2,016	2,095

8 Government Grants

Grant income recognised from government grants recognised in Cost of sales and Administrative expenses are as follows:

Continuing operations	**2020 £'000**	**2019 £'000**
UK Government Coronavirus Job Retention Scheme grant income recognised in Cost of sales for temporary workers	2,335	–
UK Government Coronavirus Job Retention Scheme grant income recognised in Administrative expenses for employees	1,471	–
Total	3,806	–

As a response to the COVID-19 global pandemic, the Group made use of the UK Government's Coronavirus Job Retention Scheme. Under this scheme, Her Majesty's Revenue & Customs (HMRC) provides UK companies with a non-refundable grant equivalent to a portion of wages, National Insurance contributions and pension contributions for employees and temporary workers who are retained in employment but placed on furlough. When considering temporary workers, the contractors employed by Gattaca's clients that Gattaca provides payroll services to and whose costs are recognised as Cost of sales by Gattaca, are also considered eligible.

As the scheme is conditional upon the Group retaining its employees in employment, or the temporary contract workers being retained by their employers, whilst they are furloughed during the COVID-19 pandemic, it is designed to compensate companies for staff or temporary worker costs incurred. As all claims submitted for the period have either been received or are expected to be receivable, the Group considers the scheme meets the definition of a government grant as set out in IAS 20 and has accounted for it as such. For grants received or receivable for Gattaca's employees on furlough, the Group has presented the grant income as a deduction to staff costs presented in Administrative expenses in the Income Statement; for grants received or receivable for temporary contract workers of Gattaca's clients on furlough, the Group has presented the grant income as a deduction to Cost of sales.

9 Parent Company Loss

	2020 £'000	**2019 £'000**

The amount of loss generated by the Parent Company was:	(1,111)	(231)

1 2019 figures have been restated for the presentation of discontinued operations as explained in Note 11.

10 Taxation

Analysis of charge in the year		Continuing 2020 £'000	Discontinued 2020 £'000	Continuing Restated[1] 2019 £'000	Discontinued Restated[1] 2019 £'000
Current tax:	UK corporation tax	790	(269)	2,368	(913)
	Overseas corporation tax	215	1	384	845
	Adjustment in respect of prior years	(117)	–	(178)	–
		888	(268)	2,574	(68)
Deferred tax credit (Note 16)	Origination and reversal of temporary differences	(132)	–	(943)	–
	Adjustments in respect of prior years	110	–	(146)	–
		(22)	–	(1,089)	–
Income tax expense/(credit) for the year		866	(268)	1,485	(68)

UK corporation tax has been charged at 19% (2019: 19%).

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

	Continuing 2020 £'000	Discontinued 2020 £'000	Continuing Restated[1] 2019 £'000	Discontinued Restated[1] 2019 £'000
Profit/(loss) before tax	1,437	(2,620)	3,368	(7,852)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	273	(498)	640	(1,492)
Expenses not deductible for tax purposes and goodwill impairment loss	21	11	1,140	43
Effect of share-based payments	70	–	107	–
Irrecoverable withholding tax	42	–	109	727

Overseas losses not recognised as deferred tax assets	610	290	(304)	538
Difference between UK and overseas tax rates	(143)	(71)	117	116
Adjustment to tax charge in respect of previous years	(7)	–	(324)	–
Total taxation charge /(credit) for the year	866	(268)	1,485	(68)

Tax charge/(credit) recognised in equity:

	2020 £'000	2019 £'000
Deferred tax charge/(credit) recognised directly in equity	16	(15)
Total tax charge/(credit) recognised directly in equity	16	(15)

1 2019 figures have been restated for the presentation of discontinued operations as explained in Note 11.

Reconciliation of statutory continuing tax charge to continuing underlying tax charge:

	2020 £'000	Restated 2019[1] £'000
Income tax expense	866	1,485
Impairment and amortisation of acquired intangibles	143	846
Non-underlying items	280	244
Foreign currency exchange differences	(18)	(74)
Underlying income tax expense	1,271	2,501

Future tax rate changes

On 17 March 2020, the UK government substantively enacted a reversal of the UK corporation tax rate reduction to 17% from 1 April 2020. The main UK corporation tax rate therefore remains at 19% and this has been reflected in the consolidated financial statements.

As these changes of rates have been enacted at the balance sheet date, the impact of these reductions has been reflected in the deferred tax liability at 31 July 2020.

11 Discontinued Operations

2020

On 9 March 2020, the Group commenced communications with the management and employees of its Chinese subsidiary, announcing its intention to cease its remaining operations in China, having previously ceased all Telecoms Infrastructure business undertaken by China already in 2019. As at 31 July 2020, all operations and staff had been terminated and the Group continues to work with in-country advisors to commence company closure proceedings. As this has now resulted in the Group's withdrawal from all operations in China, the Group has classified its Chinese operations as discontinued in the consolidated financial statements for year ended 31 July 2020 and restated the comparative results for 2019 in line with presentational requirements for discontinued operations.

2019

On 4 September 2018 the Group announced that it was withdrawing from the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as its operations in the United Arab Emirates, Singapore, Malaysia and Qatar. As a result, all operations associated with that business stream have been classified as discontinued in the 2019 and 2020 financial years. As part of this withdrawal, on 25 June 2019 NWKI

Communications LLC was sold for cash consideration of £2,000. The entity had net liabilities on disposal of £48,000 resulting in a gain of £46,000.

As detailed in Note 15, Gattaca de Colombia SAS, Comms Resources Colombia and Gattaca France SAS were liquidated during the financial year ended 31 July 2019, resulting in a gain of £89,000. These entities made a trading loss of £68,000 during financial year ended 31 July 2019. The results of these liquidated businesses are included in discontinued operations in 2019.

1 2019 figures have been restated for the presentation of discontinued operations as explained in Note 11.

Financial performance and cash flow information

	2020 £'000	Restated[1] 2019 £'000
Revenue	339	12,904
Cost of Sales	52	(9,861)
Gross profit	391	3,043
Administrative expenses[2]	(3,091)	(10,967)
Loss from operations	(2,700)	(7,924)
Finance income	3	73
Income from fixed asset investments	77	(1)
Loss before taxation	(2,620)	(7,852)
Taxation	268	68
Loss for the year after taxation from discontinued operations	(2,352)	(7,784)
Exchange differences on translation of discontinued operations	(348)	997
Other comprehensive loss from discontinued operations	(2,700)	(6,787)

	2020 £'000	Restated[1] 2019 £'000
Net cash outflow from operating activities	(1,109)	(2,056)
Net cash inflow from investing activities	77	14
Net cash outflow from financing activities	(76)	–
Effects of exchange rates on cash and cash equivalents	(56)	(4)
Net decrease in cash generated by discontinued operations	(1,164)	(2,046)

12 Earnings Per Share

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

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

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

The effect of potential ordinary shares are reflected in diluted EPS only when they are dilutive. Potential ordinary shares are considered dilutive when their inclusion in the calculation would decrease EPS, or increase the loss per share from continuing operations in accordance with IAS 33. 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 year ended 31 July 2020 and 31 July 2019 and therefore have been included in the calculation below. The diluted loss per share is lower than basic loss per share because of the effect of losses from discontinued operations.

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

1 2019 figures have been restated for the presentation of discontinued operations in 2020 as explained in Note 11.

2 Included in administrative expenses are £1,949,000 (2019: £5,731,000) of non-underlying items, as detailed in Note 4. In addition, it includes net impairment release on trade receivables from discontinued operations of £166,000 (2019 loss: £689,000).

	2020 £'000	**2019 £'000**
Total loss attributable to ordinary shareholders	(1,781)	(5,901)

Number of shares	**2020 '000**	**2019 '000**
Basic weighted average number of ordinary shares in issue	32,285	32,267
Dilutive potential ordinary shares	68	877
Diluted weighted average number of shares	32,353	33,144

Total earnings per share		**2020 pence**	**2019 pence**
Earnings per ordinary share	Basic	(5.5)	(18.3)
	Diluted	(5.5)	(17.8)

Earnings from continuing operations		**2020 £'000**	**Restated[1] 2019 £'000**
Total profit for the year		571	1,883

Total earnings per share for continuing operations		2020 pence	Restated[1] 2019 pence
Earnings per ordinary share from continuing operations	Basic	1.8	5.8
	Diluted	1.8	5.7

Earnings from discontinuing operations		2020 £'000	Restated[1] 2019 £'000
Total loss for the year		(2,352)	(7,784)

Total earnings per share for discontinuing operations		2020 pence	Restated[1] 2019 pence
Earnings per ordinary share from discontinuing operations	Basic	(7.3)	(24.1)
	Diluted	(7.3)	(23.5)

Earnings from continuing underlying operations		2020 £'000	Restated[1] 2019 £'000
Total profit for the year		3,317	9,153

Total earnings per share for continuing underlying operations		2020 pence	Restated[1] 2019 pence
Earnings per ordinary share from continuing underlying operations	Basic	10.3	28.4
	Diluted	10.3	27.6

1 2019 figures have been restated for the presentation of discontinued operations as explained in Note 11.

13 Goodwill And Intangible Assets

Group		Goodwill £'000	Customer relationships £'000	Trade names £'000	Other £'000	Software and software licences £'000	Total £'000
Cost	At 1 August 2018	28,739	22,245	5,326	3,809	3,369	63,488
	Additions	–	–	20	–	2,856	2,876
	At 31 July 2019	28,739	22,245	5,346	3,809	6,225	66,364
	Additions	–	–	–	–	2,348	2,348

	At 31 July 2020	28,739	22,245	5,346	3,809	8,573	68,712
Amortisation and impairment	At 1 August 2018	21,779	16,698	4,040	2,883	1,739	47,139
	Amortisation for the year	–	758	167	339	328	1,592
	Impairment	2,603	2,468	744	67	–	5,882
	At 31 July 2019	24,382	19,924	4,951	3,289	2,067	54,613
	Amortisation for the year	–	325	53	238	272	888
	Impairment	–	281	53	–	–	334
	At 31 July 2020	24,382	20,530	5,057	3,527	2,339	55,835
Net book value	At 31 July 2019	4,357	2,321	395	520	4,158	11,751
	At 31 July 2020	4,357	1,715	289	282	6,234	12,877

Other intangibles comprises candidate databases and non-compete agreements.

The carrying amount of goodwill allocated to Cash Generating Unit's (CGU's) is as follows:

	2020 £'000	**2019 £'000**
UK Engineering	1,712	1,712
Resourcing Solutions Limited	2,645	2,645
Total	4,357	4,357

Impairment testing

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

If any indication of impairment exists, then the goodwill CGU or individual asset's recoverable amount is calculated. The recoverable amounts of the CGU's are determined from value-in-use calculations.

The key assumptions and estimates used when calculating a CGU's value in use, are as follows:

Cash flows from operations

Cash flows from operations are based on the Group's 2021 budget as approved by the Group's Board of Directors plus four years of forecasts at a CGU level updated for any key changes, which are prepared using expectations of revenue and operating cost growth over the next five years. The Group prepares cash flow forecasts adjusted for allocations of Group overhead costs, and extrapolates cash flows into perpetuity based on long-term growth rates. The impact of COVID-19 has been incorporated into these forecasts, based on the time expected for trading to return to pre-pandemic levels.

Discount rates

The pre-tax rates used to discount the forecast cash flows were a range from 13.9% to 14.9% (2019: 13.5% to 15.7%) reflecting the Group's weighted average cost of capital, adjusted for specific risks associated with the asset's estimated cash flows. The discount rate is based on the weighted average cost of capital (WACC). The risk-free rate, based on government bond rates, is adjusted for equity and industry risk premiums, reflecting the increased risk compared to an investor who is investing the market as a whole. Net present values are calculated using pre-tax discount rates derived from the Group's post-tax WACC of 11.7% (2019: 11.2%) for UK CGUs.

Growth rates

The medium-term growth rates are based on management forecasts, reflecting past experience and economic environment. Long-term growth rates are based on external sources of an average estimated growth rate of 2.0% (2019: 2.0%), using a weighted average of operating country real GDP growth expectations.

As a result of these forecasts, total impairment losses of £334,000 (2019: £5,882,000) have been recorded in respect of goodwill and acquired intangible assets within the UK Technology CGU (2019: International CGU), as follows:

	Goodwill 2020 £'000	Intangible assets 2020 £'000	Total 2020 £'000	Goodwill 2019 £'000	Intangible assets 2019 £'000	Total 2019 £'000
UK Technology	–	334	334	–	–	–
International	–	–	–	2,603	3,279	5,882
Total	–	334	334	2,603	3,279	5,882

Goodwill and acquired intangibles within the UK Technology, UK Engineering and International CGU's relate to the Networkers acquisition. In 2019, impairment charges were recognised against the International CGU due to lower forecasts of trading performance against original expectations at the time of acquisition, fully impairing all goodwill and acquired intangible assets. At 31 July 2020, the recoverable amount of the UK Technology CGU was £1,733,000 (2019: £9,984,000), £5,075,000 (2019: £5,349,000) for the UK Engineering CGU and £14,603,000 (2019: £24,052,000) for the RSL CGU.

Sensitivity analysis has been performed to show the impact of reasonable or possible changes in key assumptions, in particular with reference to the economic uncertainty surrounding the impact of, and future recovery from, the COVID-19 pandemic. An increase in the discount rate by a factor of 0.2% to 11.9%, or a reduction in the long-term growth rate to 1.8%, would not trigger a material impairment for any of the CGU's.
For the RSL CGU, a two year delay to management's forecast recovery trajectory to return to pre-COVID trading levels would not trigger an impairment. For the UK Engineering CGU, a one year delay to management's forecast recovery trajectory to return to pre-COVID levels would trigger an immaterial impairment.

Company		Trade names £'000
Cost	At 1 August 2018	–
	Additions	–
	At 31 July 2019	–
	Additions	20
	At 31 July 2020	20
Amortisation and impairment	At 1 August 2018	–
	Amortisation for the year	–
	Impairment	–
	At 31 July 2019	–

	Amortisation for the year	4
	Impairment	–
	At 31 July 2020	4
Net book value	At 31 July 2019	–
	At 31 July 2020	16

14 Property, Plant And Equipment

Group		**Motor vehicles £'000**	**Leasehold improvements £'000**	**Fixtures, fittings & equipment £'000**	**Total £'000**
Cost	At 1 August 2018	52	4,316	4,555	8,923
	Additions	6	414	253	673
	Disposals	(37)	–	(159)	(196)
	Effects of movements in exchange rates	–	–	(17)	(17)
	At 31 July 2019	21	4,730	4,632	9,383
	Reclassification of dilapidation assets	–	(1,535)	–	(1,535)
	Additions	–	101	90	191
	Disposals	(37)	(204)	(1)	(242)
	Effects of movements in exchange rates	–	(37)	–	(37)
	At 31 July 2020	(16)	3,055	4,721	7,760
Accumulated depreciation	At 1 August 2018	44	1,383	3,876	5,303
	Charge for the year	3	514	374	891
	Released on disposal	(30)	–	(73)	(103)
	At 31 July 2019	17	1,897	4,177	6,091
	Reclassification of dilapidation assets	–	(576)	–	(576)

	Charge for the year	5	564	374	943
	Released on disposal	(38)	(18)	(134)	(190)
	At 31 July 2020	(16)	1,867	4,417	6,268
Net book value	At 31 July 2019	4	2,833	455	3,292
	At 31 July 2020	–	1,188	304	1,492

Included within Leasehold improvements at 31 July 2019 was a cost of £1,535,000 and a net book value of £959,000 relating to dilapidations provisions (see Note 18). These assets have been reclassified to be presented against right-of-use assets from 1 August 2019 on adoption of IFRS 16.

There were no capital commitments as at 31 July 2020 or 31 July 2019.

15 Investments In Subsidiary Undertakings

	Group		**Company**	
Cost and carrying value:	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Balance at 1 August 2019	–	–	8,580	8,311
Purchase of investments	19	–	–	–
(Reversal of capital contributions)/capital contributions to subsidiaries	–	–	(60)	269
Balance at 31 July 2020	19	–	8,520	8,580

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

During the year, Sakha Sonke Private Equity Fund invested a total of £19,000 in external minority investments in accordance with the partnership agreement between Kula Nathi Investments Proprietary Limited and Ingenious Equity Proprietary Limited. At 31 July 2020, the fair value of the equity investment is considered equivalent to its carrying value at cost.

The movement in investment in Group undertakings represents capital contributions made in Matchtech Group (UK) Limited relating to share-based payments. In 2020, a reversal of the capital contribution was recorded, as historical share-based payment charges were also reversed due to vesting performance conditions not being met.

The subsidiary undertakings at the year end are as follows:

	Registered Office Note	**Country of Incorporation**	**Share Class**	**% held 2020**	**% held 2019**	**Main Activities**
Alderwood Education Ltd[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Application Services Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Barclay Meade Ltd[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Cappo Group Limited[1]	1	United Kingdom	Ordinary	100%	100%	Holding

Cappo International Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Comms Software Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
CommsResources Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Connectus Technology Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Elite Computer Staff Ltd.[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
Gattaca Recruitment Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
Gattaca Solutions Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Matchtech Engineering Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
Matchtech Group (Holdings) Limited[1]	1	United Kingdom	Ordinary	99.7%	99.7%	Holding
Matchtech Group (UK) Limited[1]	1	United Kingdom	Ordinary	99.998%	99.998%	Provision of recruitment consultancy
Matchtech Group Management Company Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
Matchtech Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
MSB Consulting Services Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
Networkers International (UK) Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International Limited[1]	1	United Kingdom	Ordinary	100%	100%	Holding
Networkers International Trustees Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
Networkers Recruitment Services Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
Provanis Limited[2]	1	United Kingdom	Ordinary	100%	100%	Non trading
Resourcing Solutions Limited[1]	1	United Kingdom	Ordinary	100%	100%	Provision of recruitment consultancy
The Comms Group Limited[1]	1	United Kingdom	Ordinary	100%	100%	Holding
Gattaca GmbH	2	Germany	Ordinary	100%	100%	Provision of recruitment consultancy
MSB International GMBH	13	Germany	Ordinary	100%	100%	Non trading
Gattaca BV	3	Netherlands	Ordinary	100%	100%	Provision of recruitment consultancy
Cappo Inc.	5	United States	Ordinary	100%	100%	Provision of recruitment consultancy
Matchtech Engineering Inc.	4	United States	Ordinary	100%	100%	Non trading
Networkers Inc.	5	United States	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International LLC	5	United States	Ordinary	100%	100%	Non trading
Networkers International (Canada) Inc.	11	Canada	Ordinary	100%	100%	Provision of recruitment consultancy
Gattaca Mexico Services, S.A. de C.V[4]	6	Mexico	Ordinary	100%	100%	Provision of recruitment consultancy
NWI Mexico, S. de R.L. de C.V.	6	Mexico	Ordinary	100%	100%	Provision of recruitment consultancy
Kithara Investments Proprietary Limited	8	South Africa	Ordinary	100%	100%	Holding
Kula Nathi Investments Proprietary Limited	7	South Africa	Ordinary	100%	100%	Holding
Networkers International Proprietary Limited	7	South Africa	Ordinary	100%	100%	Provision of recruitment consultancy

Networkers International South Africa Proprietary Limited	7	South Africa	Ordinary	100%	100%	Provision of recruitment consultancy
Networkers International (China) Co. Limited	9	China	Ordinary	100%	100%	Provision of recruitment consultancy
Comms Resource SDN. BHD	10	Malaysia	Ordinary	100%	100%	Non trading
Networkers International (Malaysia) Sdn Bhd	10	Malaysia	Ordinary	100%	100%	Non trading
NWKI Consultancy FZ LLC	12	United Arab Emirates	Ordinary	100%	100%	Non trading
Cappo Qatar LLC[3]	15	Qatar	Ordinary	49%	49%	Non trading
Networkers Consultancy (Singapore) PTE. Limited	14	Singapore	Ordinary	100%	100%	Non trading
Gattaca Information Technology Services SLU	16	Spain	Ordinary	100%	100%	Provision of recruitment consultancy
Gattaca Recruitment ETT, SLU	16	Spain	Ordinary	100%	100%	Non trading
Networkers International (India) PTE	17	India	Ordinary	100%	100%	Non trading

1 For the year ended 31 July 2020, Gattaca plc has provided a legal guarantee dated 3 November 2020 under s479C of the Companies Act 2006 to these subsidiaries for audit exemption.

2 These dormant companies are exempt from preparing individual financial statements by virtue of s394A of Companies Act 2006.

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

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

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

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

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

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2	c/o Grant Thornton, Jahnstrasse 6, 70597, Stuttgart, Germany
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6	Avenida Paseo de la Reforma No. 296 Piso 15 Oficina A, Colonia Juárez, Delegación Cuauhtémoc, Código Postal 06600. Ciudad de México, Mexico
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16	Calle General, Moscardo 6. Espaco Office, Madrid 28020, Spain
17	3rd Floor, 301 DLF City Court Sikandarpur, Gurgaon-122002 Harayana, India

16 Deferred Tax

Group	Asset 2020 £'000	Liability 2020 £'000	Net 2020 £'000	(Charged)/credited to profit 2020 £'000	Credited to equity 2020 £'000	Foreign exchange 2020 £'000	Impact of transition to IFRS 16 2020 £'000
Share-based payments	21	–	21	(68)	(16)	–	–
Accelerated capital allowances	–	(106)	(106)	(114)	–	–	–
Acquired intangibles	–	(414)	(414)	142	–	–	–
Other temporary and deductible differences	222	–	222	62	–	(6)	119
Gross deferred tax assets/(liabilities)	243	(520)	(277)	22	(16)	(6)	119
Amounts available for offset	(243)	243	–				
Net deferred tax assets/(liabilities)	–	(277)	(277)				

Group	Asset 2019 £'000	Liability 2019 £'000	Net 2019 £'000	(Charged)/credited to profit 2019 £'000	Credited to equity 2019 £'000	Foreign exchange 2019 £'000	Impact of transition to IFRS 16 2019 £'000
Share-based payments	105	–	105	(2)	15	–	–
Accelerated capital allowances	8	–	8	(35)	–	–	–
Acquired intangibles	–	(556)	(556)	842	–	–	–
Other temporary and deductible differences	47	–	47	284	–	1	–
Gross deferred tax assets/(liabilities)	160	(556)	(396)	1,089	15	1	–
Amounts available for offset	(160)	160	–				
Net deferred tax assets/(liabilities)	–	(396)	(396)				

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

	Group	
	2020 £'000	**2019 £'000**
At 1 August	(396)	(1,501)
Impact of transition to IFRS 16	119	–
Recognised in income (Note 10)	22	1,089
Recognised in equity	(16)	15
Foreign exchange	(6)	1
At end of year	(277)	(396)

	2020 £'000	**2019 £'000**
Deferred tax assets reversing within 1 year	179	29
Deferred tax liabilities reversing within 1 year	(232)	(114)
At end of year	(53)	(85)

	2020 £'000	**2019 £'000**
Deferred tax assets reversing after 1 year	64	131
Deferred tax liabilities reversing after 1 year	(288)	(442)
At end of year	(224)	(311)

Unrecognised deferred tax assets

	Group	
	2020 £'000	**2019 £'000**
Tax losses carried forward against profits of future years	1,640	755
Other temporary and deductible differences	–	88
Net deferred tax assets	1,640	843

Of the unused tax losses £3,234,000 (2019: £1,646,000) can be carried forward indefinitely, £340,000 (2019: £nil) expires within 10 years and £142,000 (2018: £164,000) expires within 20 years. No deferred tax is recognised on unremitted earnings of overseas subsidiaries as the Group is in a position to control the timing of the reversal of temporary differences and it is probable that such differences will not reverse in the foreseeable future. The temporary differences associated with the investments in subsidiaries for which a deferred tax liability has not been recognised aggregate to £5,345,000 (2019: £9,002,000). If the earnings were remitted, tax of £120,000 (2019: £164,000) would be payable. On 17 March 2020, the UK government substantively enacted a reversal of the UK corporation tax rate reduction to 17% from 1 April 2020. The main UK corporation tax rate therefore remains at 19%. Deferred tax has been valued based on the substantively enacted rates at each balance sheet date at which the deferred tax is expected to reverse.

17 Trade and Other Receivables

	Group		Company	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Trade receivables from contracts with customers, net of loss allowance	27,703	71,704	–	–
Amounts owed by Group companies	–	–	101,610	100,877
Corporation tax receivables	26	329	275	281
Other receivables	3,554	660	–	–
Prepayments	1,705	1,198	–	–
Accrued income	15,900	22,837	–	–
Total	48,888	96,728	101,885	101,158

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

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

Accrued income relates to the Group's right to consideration for temporary and permanent placements made but not billed at the year end. These transfer to trade receivables once billing occurs. An expected credit loss allowance of £269,000 (2019: £nil) has been recognised at 31 July 2020, in respect of accrued income for unbilled temporary placements older than 6 months.

Impairment of trade receivables from contracts with customers

	Group	
	2020 £'000	**2019 £'000**
Trade receivables from contracts with customers, gross amounts	31,690	73,893
Loss allowance	(3,987)	(2,189)
Trade receivables from contracts with customers, net of loss allowance	27,703	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. Trade receivables have reduced year on year due to the impact of COVID-19 on trading, as well as the impact of de-recognition of any trade receivables held under the Group's non-recourse invoice financing arrangements entered into in 2020.

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 customer industry.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the relevant year end and the corresponding historical credit losses experienced within this period. The historic loss rates are then adjusted to reflect any relevant current and forward-looking information expected to affect the ability of customers to settle the receivables. In addition for 2020, the impact of COVID-19 on specific industries and geographies has also been taken into account, using forecast economic downturn levels to assess elevated levels of credit risk in certain markets.

The loss allowance for trade receivables was determined as follows:

31 July 2020	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Weighted expected loss rate (%)	6.9%	8.8%	10.2%	91.1%	
Gross carrying amount – trade receivables (£’000)	19,079	8,941	1,788	1,882	31,690
Loss allowance (£’000)	1,307	783	183	1,714	3,987

31 July 2019	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Weighted expected loss rate (%)	1.4%	2.0%	4.1%	53.4%	
Gross carrying amount – trade receivables (£’000)	69,944	1,130	665	2,154	73,893
Loss allowance (£’000)	987	23	28	1,151	2,189

The increase in the loss allowance rate for trade receivables more than 90 days past due is as a result of expecting a 100% loss rate on remaining aged receivables relating to discontinued businesses of £989,000 at 31 July 2020 (31 July 2019: £1,126,000).

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

	Group	
	2020 £’000	**2019 £’000**
Opening loss allowance at 1 August	2,189	1,547
Increase in loss allowance recognised in profit and loss during the year	2,281	994
Receivable written off during the year as uncollectible	(483)	(352)
Closing loss allowance at 31 July	3,987	2,189

18 Provisions

Group	2020 Dilapidation provisions £'000	2020 Onerous lease provisions £'000	2020 Other provisions £'000	2020 Total £'000	2019 Dilapidation provisions £'000	2019 Onerous lease provisions £'000	2019 Other provisions £'000	2019 Total £'000
Balance at 1 August	1,747	934	–	2,681	1,390	–	–	1,390
Adjustment on initial application of IFRS 16	–	(934)	–	(934)	–	–	–	–
Restated balance at 1 August	1,747	–	–	1,747	1,390	–	–	1,390
Effects of movements in exchange rates	(38)	–	–	(38)	–	–	–	–
Provisions made in the year	1	–	1,084	1,085	402	1,102	–	1,504
Provisions utilised	–	–	–	–	(45)	(167)	–	(212)
Unwinding of discount	–	–	–	–	–	(1)	–	(1)
Balance at 31 July	1,710	–	1,084	2,794	1,747	934	–	2,681

Group	2020 Dilapidation provisions £'000	2020 Onerous lease provisions £'000	2020 Other provisions £'000	2020 Total £'000	2019 Dilapidation provisions £'000	2019 Onerous lease provisions £'000	2019 Other provisions £'000	2019 Total £'000
Non-Current	1,587	–	971	2,558	1,747	602	–	2,349
Current	123	–	113	236	–	332	–	332
Total	1,710	–	1,084	2,794	1,747	934	–	2,681

Dilapidation provisions are held in respect of the Group's office properties where lease obligations include contractual obligations to return the property to its original condition at the end of the lease term, ranging between one and eight years.

Onerous lease provisions of £1,102,000 were recorded in 2019 in relation to the remaining lease term of property that was no longer in use by the Group as a result of the closure of the contract Telecoms Infrastructure business. These costs were presented as non-underlying as shown in Note 4. On adoption of IFRS 16, the Group made use of the practical expedient of presenting existing onerous lease provisions against the carrying value of the relevant right-of-use asset; as a result, the full onerous lease provision was reclassified on 1 August 2019.

Other provisions have been recognised for primarily for restructuring activities, with the remainder in respect of claims for certain legal matters. In July 2020, the Group publicly announced plans for a significant restructuring of its UK employee base. Restructuring provisions of £971,000 (2019: £nil) were recognised based on the Directors' best estimate of the forecast direct costs arising from the restructuring; by 31 July 2020 the Group had completed a detailed formal plan of the proposed changes, announced its intentions to those affected and payments were expected to be paid shortly after the year end once the formal consultation process had completed.

No provisions are held by the parent Company (2019: nil).

19 Trade and Other Payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	1,750	285	–	–
Amounts owed to Group undertakings	–	–	63,590	54,083
Taxation and social security	15,859	8,013	–	–
Contractor wages payable	20,519	24,270	–	–
Accruals and deferred income	4,348	7,024	–	–
Other payables	3,653	1,084	–	–
Total	46,129	40,676	63,590	54,083

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

20 Loans and Borrowings

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Working capital facility	151	29,119	–	–
Finance costs capitalised	–	(81)	–	–
Bank loans and borrowings due in less than one year	151	29,038	–	–
Revolving Credit Facility	7,500	15,000	7,500	15,000
Finance costs capitalised	(196)	(43)	(196)	(43)
Bank loans and borrowings due in more than one year	7,304	14,957	7,304	14,957
Total bank loans and borrowings	7,455	43,995	7,304	14,957

On 31 October 2019, the Group renewed its Revolving Credit Facility (RCF) with HSBC, extending the term out from October 2020 to October 2022, capitalising additional costs of £223,000 which are being amortised over the remaining term of the facility. In January 2020, the Group then transferred a portion of its recourse working capital facility to a non-recourse working capital facility. Under the terms of the non-recourse facility, the trade receivables assigned to the facility are owned by HSBC and so have been de-recognised from the Group's Statement of Financial Position; in addition, the non-recourse working capital facility does not meet the definition of loans and borrowings under IFRS. The Group continues to collect cash from trade receivables assigned to the non-recourse facility on behalf of HSBC which is then transferred to them periodically each month. Any cash collected from trade receivables under the non-recourse facility at 31 July 2020 that had not been transferred to HSBC, is presented as restricted cash included within the Group's cash balance. At 31 July 2020, the Group had agreed banking facilities with HSBC totalling £82.5m comprising a £75m Invoice Financing working capital facility (recourse and non-recourse) and a £7.5m (31 July 2019: £15m) Revolving Credit 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 or uninvoiced trade receivables up to a maximum of £75m. Interest is charged on the recourse borrowings at a rate of 1.75% (2019: 2.30%) over HSBC Bank base rate.

The Group’s £7.5m Revolving Credit Facility is secured by way of a fixed and floating charge over assets of the Group. Interest is charged on borrowings at a rate of 3.25% (2019: 3.25%) over HSBC LIBOR rate. The Group is required to comply with certain financial covenants over the Revolving Credit Facility and all covenant requirements were satisfied in the period.

21 Financial Assets and Liabilities Statement of Financial Position Classification

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

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

	Group		Company	
	2020 £’000	**2019 £’000**	**2020 £’000**	**2019 £’000**
Trade and other receivables (Note 17)				
– Financial assets recorded at amortised cost	47,157	95,201	101,610	100,877
Cash and cash equivalents				
– Financial assets recorded at amortised cost	34,796	19,173	–	–
Total	81,953	114,374	101,610	100,877

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

	Group		Company	
	2020 £’000	**2019 £’000**	**2020 £’000**	**2019 £’000**
Borrowings (Note 20)				
– Financial liabilities recorded at amortised cost	7,455	43,995	7,304	14,957
Leases (Note 22)				
– Financial liabilities recorded at amortised cost	7,736	–	–	–
Trade and other payables (Note 19)				
– Financial liabilities recorded at amortised cost	30,270	32,663	63,590	54,083
Total	45,461	76,658	70,894	69,040

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

22 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 Consolidated Statement of Financial Position shows the following amounts related to leases where the Group is a lessee.

Right-of-use-assets

		Properties £'000	Vehicles £'000	Other £'000	Total £'000
Cost	At 1 August 2019	9,335	336	17	9,688
	Reclassification of dilapidation assets	1,535	–	–	1,535
	Additions	42	12	–	54
	Effect of reassessment of lease term	(862)	–	–	(862)
	Effect of movement in exchange rates	(46)	–	(1)	(47)
	At 31 July 2020	10,004	348	16	10,368
Accumulated depreciation	At 1 August 2019	–	–	–	–
	Reclassification of dilapidation assets	576	–	–	576
	Depreciation charge	1,858	176	7	2,041
	Impairment	432	–	–	432
	Effect of movement in exchange rates	(19)	–	–	(19)
	At 31 July 2020	2,847	176	7	3,030
Net book value	At 1 August 2019	9,335	336	17	9,688
	At 31 July 2020	7,157	172	9	7,338

At 1 August 2019, onerous lease provisions of £934,000 previously presented in non-current liabilities, were reclassified against the cost of Property right-of-use assets, in line with the practical expedient available on adoption of IFRS 16. At 31 July 2020, included within Property right-of-use assets is cost of £1,577,000 and net book value of £802,000 relating to dilapidation assets.

Lease liabilities

	31 July 2020				**1 August 2019**			
	Properties £'000	**Vehicles £'000**	**Other £'000**	**Total £'000**	**Properties £'000**	**Vehicles £'000**	**Other £'000**	**Total £'000**
Current	1,855	132	3	1,990	1,825	171	9	2,005
Non-current	5,696	44	6	5,746	8,435	176	8	8,619
	7,551	176	9	7,736	10,260	347	17	10,624

Lease liabilities for properties have lease terms of between one and eight years.

The discount rates used to measure the lease liabilities at 31 July 2020 range between 2.0% to 10.1% for Properties, 4.7% for Vehicles and 10.1% for Other leases.

Reconciliation of lease liabilities movement in the year

	Properties £'000	Vehicles £'000	Other £'000	Total £'000
At 1 August 2019	10,260	347	17	10,624
Lease payments	(2,011)	(183)	(7)	(2,201)
Interest expense on lease liabilities	201	12	1	214
Effect of reassessment of lease term	(862)	–	–	(862)
Effect of movement in exchange rates	(37)	–	(2)	(39)
At 31 July 2020	7,551	176	9	7,736

Amounts in respect of leases recognised in the Income Statement

	2020 £'000	2019 £'000
Depreciation expense of right-of-use assets	2,041	–
Impairment of right-of-use assets	432	–
Interest expense on lease liabilities (included in Finance cost)	214	–
Expense relating to leases of low-value assets and short-term leases (included in Administrative expenses)	239	2,349

Transition to IFRS 16: Reconciliation between operating lease commitments at 31 July 2019 and lease liabilities at 1 August 2019

	Properties £'000	Vehicles £'000	Other £'000	Total £'000
Operating lease commitments at 31 July 2019	11,144	351	48	11,543
Less: Leases considered to be short-term (less than 12 months duration)	(79)	(19)	(37)	(135)
Add: Rentals associated with extension options reasonably certain to be exercised	32	–	8	40
Operating lease commitment in scope for IFRS 16	11,097	332	19	11,448
Impact of discounting future lease payments	(789)	3	(2)	(788)
Commitments for leases not yet commenced at 31 July 2019	–	12	–	12
Rental increases since 1 August 2019	48	–	–	48

Impact of rent-free periods	(96)	–	–	(96)
Total lease liabilities recognised at 1 August 2019	10,260	347	17	10,624

23 Share Capital

Authorised share capital

	Company	
	2020 £'000	**2019 £'000**
40,000,000 (2019: 40,000,000) Ordinary shares of £0.01 each	400	400

Allotted, called up and fully paid:

	Company	
	2020 £'000	**2019 £'000**
32,290,400 (2019: 32,285,000) Ordinary shares of £0.01 each	323	323

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

	Company	
	2020 £'000	**2019 £'000**
In issue at 1 August	32,285	32,256
Exercise of share options	5	29
In issue at 31 July	32,290	32,285

Share Options

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

					Exercise period	
	2020 '000s	**2019 '000s**	**Date of grant**	**Exercise price pence**	**From**	**To**
Zero Priced Share Option Bonus	–	1	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Option Bonus	–	1	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	1	1	04/02/2011	1	03/02/2013	04/02/2021

Zero Priced Share Option Bonus	1	1	04/02/2011	1	03/02/2014	04/02/2021
Zero Priced Share Option Bonus	1	1	31/01/2012	1	30/01/2014	31/01/2022
Zero Priced Share Option Bonus	1	1	31/01/2012	1	30/01/2015	31/01/2022
Zero Priced Share Option Bonus	1	2	31/01/2013	1	30/01/2015	31/01/2023
Zero Priced Share Option Bonus	2	2	31/01/2013	1	30/01/2016	31/01/2023
Zero Priced Share Option Bonus	4	5	01/01/2014	1	01/01/2016	01/01/2024
Zero Priced Share Option Bonus	32	34	01/01/2014	1	01/01/2017	01/01/2024
Zero Priced Share Option Bonus	3	3	28/01/2015	1	28/01/2017	28/01/2025
Zero Priced Share Option Bonus	24	27	28/01/2015	1	28/01/2018	28/01/2025
Zero Priced Share Option Bonus	–	62	03/02/2017	1	03/02/2020	03/02/2027
Zero Priced Share Option Bonus	–	107	31/01/2017	1	31/01/2020	31/01/2027
Long-Term Incentive Plan Options	–	72	31/01/2017	72	31/01/2020	31/01/2027
Long-Term Incentive Plan Options	–	38	31/01/2017	145	31/01/2020	31/01/2027
Zero Priced Share Option Bonus	231	324	19/12/2018	1	19/12/2021	19/12/2028
Zero Priced Share Option Bonus	171	201	19/12/2018	1	19/12/2021	19/12/2028
Long-Term Incentive Plan Options	510	–	20/01/2020	1	20/01/2023	20/01/2030
Long-Term Incentive Plan Options	194	–	20/01/2020	1	20/01/2023	20/01/2030
Total	1,176	883				

During the year, the Group granted share options under the Long-Term Incentive Plan for Executive Directors and Senior Management. The share options were granted on 20 January 2020 to members of staff to be held over a three-year vesting period and are subject to an Earnings per Share (EPS) performance condition. All share options have a life of 10 years from grant date and are equity settled on exercise.

The movement in share options is shown below:

	2020			**2019**		
	Number '000s	**Weighted average exercise price (pence)**	**Weighted average share price (pence)**	**Number '000s**	**Weighted average exercise price (pence)**	**Weighted average share price (pence)**
Outstanding at 1 August	883	13.1	–	657	48.2	–
Granted	704	1.0	–	525	1.0	–
Forfeited/lapsed	(406)	27.3	–	(270)	76.8	–

Exercised	(5)	1.0	116.7	(29)	1.0	129.8
Outstanding at 31 July	1,176	74.6		883	13.1	
Exercisable at 31 July	69	1.0		78	1.0	

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

	2020			**2019**		
Exercise Date	**Weighted average remaining contract life (months)**	**Number '000s**	**Weighted average exercise price (pence)**	**Weighted average remaining contract life (months)**	**Number '000s**	**Weighted average exercise price (pence)**
31/01/2020	–	–	–	6	217	49.9
03/02/2020	–	–	–	6	62	1.0
18/12/2021	17	402	1.0	29	525	1.0
20/01/2023	30	704	1.0	–	–	–
Total		1,106			804	

In addition to the share option schemes the Group operated a Share Incentive Plan (SIP), which is an HMRC approved plan available to all employees enabling them to purchase shares out of pre-tax salary. For each share purchased the Company grants an additional share at no cost. During the year the Company purchased 124,912 shares (2019: 92,247) under this scheme.

The Group's Share Incentive Plan is held by an Employee Benefit Trust (EBT) for tax purposes. The EBT buys shares with funds from the Group and any shares held by the EBT are distributed to employees once vesting conditions are satisfied. The Group has control over the EBT and therefore it has been consolidated at 31 July 2020 and 31 July 2019. As at 31 July 2020, excess funds of £70,000 (2019: £140,000) was held by the EBT, which has been included in cash and cash equivalents.

The following expenses or credits were recognised in the Income Statement in relation to share-based payment transactions:

Group	**2020 £'000**	**2019 £'000**
Zero Priced Share Option Bonus	(62)	19
Long-Term Incentive Plan Options	2	77
Share Incentive Plan	137	173
Total	77	269

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

Date of grant		**Share price on the date of grant (£)**	**Exercise price (£)**	**Volatility (%)**	**Vesting period (years)**	**Dividend yield (%)**	**Risk free rate of interest (%)**	**Fair value (£)**

09/09/2016	SIP	3.87	0.01	N/A	3.00	N/A	N/A	3.87
07/10/2016	SIP	3.57	0.01	N/A	3.00	N/A	N/A	3.57
08/11/2016	SIP	3.16	0.01	N/A	3.00	N/A	N/A	3.16
07/12/2016	SIP	2.95	0.01	N/A	3.00	N/A	N/A	2.95
16/01/2017	SIP	2.98	0.01	N/A	3.00	N/A	N/A	2.98
31/01/2017	Zero Priced Share Option Bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.27
31/01/2017	Zero Priced Share Option Bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.51
31/01/2017	Zero Priced Share Option Bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.23
31/01/2017	Zero Priced Share Option Bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.49
31/01/2017	Long-Term Incentive Plan Options	2.90	0.72	31.6%	3.00	7.9%	0.3%	0.86
03/02/2017	Long-Term Incentive Plan Options	2.90	1.45	31.6%	3.00	7.9%	0.3%	0.66
07/02/2017	SIP	2.94	0.01	N/A	3.00	N/A	N/A	2.94
07/03/2017	SIP	2.94	0.01	N/A	3.00	N/A	N/A	2.94
07/04/2017	SIP	3.10	0.01	N/A	3.00	N/A	N/A	3.10
09/05/2017	SIP	3.18	0.01	N/A	3.00	N/A	N/A	3.18
07/06/2017	SIP	3.28	0.01	N/A	3.00	N/A	N/A	3.28
07/07/2017	SIP	3.09	0.01	N/A	3.00	N/A	N/A	3.09
07/08/2017	SIP	2.87	0.01	N/A	3.00	N/A	N/A	2.87
08/09/2017	SIP	2.99	0.01	N/A	3.00	N/A	N/A	2.99
09/10/2017	SIP	3.10	0.01	N/A	3.00	N/A	N/A	3.10
08/11/2017	SIP	3.12	0.01	N/A	3.00	N/A	N/A	3.12
08/12/2017	SIP	3.05	0.01	N/A	3.00	N/A	N/A	3.05
09/01/2018	SIP	3.00	0.01	N/A	3.00	N/A	N/A	3.00
08/02/2018	SIP	2.63	0.01	N/A	3.00	N/A	N/A	2.63
08/03/2018	SIP	2.31	0.01	N/A	3.00	N/A	N/A	2.31
12/04/2018	SIP	1.84	0.01	N/A	3.00	N/A	N/A	1.84
09/05/2018	SIP	1.40	0.01	N/A	3.00	N/A	N/A	1.40
08/06/2018	SIP	1.58	0.01	N/A	3.00	N/A	N/A	1.58

09/07/2018	SIP	1.25	0.01	N/A	3.00	N/A	N/A	1.25
08/08/2018	SIP	1.50	0.01	N/A	3.00	N/A	N/A	1.50
10/09/2018	SIP	1.40	0.01	N/A	3.00	N/A	N/A	1.40
08/10/2018	SIP	1.30	0.01	N/A	3.00	N/A	N/A	1.30
08/11/2018	SIP	1.41	0.01	N/A	3.00	N/A	N/A	1.41
10/12/2018	SIP	1.14	0.01	N/A	3.00	N/A	N/A	1.14
19/12/2018	Zero Priced Share Option Bonus	1.07	0.01	N/A	3.00	0.0%	N/A	1.08
19/12/2018	Zero Priced Share Option Bonus	1.07	0.01	44.9%	3.00	0.0%	0.7%	0.73
09/01/2019	SIP	1.13	0.01	N/A	3.00	N/A	N/A	1.13
08/02/2019	SIP	1.17	0.01	N/A	3.00	N/A	N/A	1.17
11/03/2019	SIP	1.18	0.01	N/A	3.00	N/A	N/A	1.18
Date of grant		**Share price on the date of grant (£)**	**Exercise price (£)**	**Volatility (%)**	**Vesting period (years)**	**Dividend yield (%)**	**Risk free rate of interest (%)**	**Fair value (£)**
08/04/2019	SIP	1.39	0.01	N/A	3.00	N/A	N/A	1.39
09/05/2019	SIP	1.58	0.01	N/A	3.00	N/A	N/A	1.58
10/06/2019	SIP	1.53	0.01	N/A	3.00	N/A	N/A	1.53
08/07/2019	SIP	1.43	0.01	N/A	3.00	N/A	N/A	1.43
07/08/2019	SIP	1.44	0.01	N/A	3.00	N/A	N/A	1.44
09/09/2019	SIP	1.28	0.01	N/A	3.00	N/A	N/A	1.28
08/10/2019	SIP	1.32	0.01	N/A	3.00	N/A	N/A	1.32
08/11/2019	SIP	1.18	0.01	N/A	3.00	N/A	N/A	1.18
09/12/2019	SIP	1.10	0.01	N/A	3.00	N/A	N/A	1.10
10/01/2020	SIP	1.29	0.01	N/A	3.00	N/A	N/A	1.29
10/02/2020	SIP	0.82	0.01	N/A	3.00	N/A	N/A	0.82
09/03/2020	SIP	0.76	0.01	N/A	3.00	N/A	N/A	0.76
09/04/2020	SIP	0.39	0.01	N/A	3.00	N/A	N/A	0.39

11/05/2020	SIP	0.44	0.01	N/A	3.00	N/A	N/A	0.44
08/06/2020	SIP	0.45	0.01	N/A	3.00	N/A	N/A	0.45
10/07/2020	SIP	0.45	0.01	N/A	3.00	N/A	N/A	0.45
20/01/2020	Long-Term Incentive Plan Options	1.24	0.01	N/A	3.00	N/A	N/A	1.13
20/01/2020	Long-Term Incentive Plan Options	1.24	0.01	N/A	3.00	N/A	N/A	1.13

For Zero Priced Share Option Bonus grants in 2020 that are subject to an Earnings per Share (EPS) growth vesting condition, a Binomial model was used for valuation.

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

24 Transactions with Directors and Related Parties

During the year the Group made sales of £16,000 (2019: £89,000) to InHealth Group Ltd and purchases of £7,400 (2019: £11,000) from Preventicum UK Limited which are related parties by virtue of common Directorship of Richard Bradford. During the year the Group made sales of £87,000 (2019: £201,000) to Tricoya Technologies Limited, a subsidiary of Accsys Technologies Plc, which is considered as a related party transaction by virtue of common Directorship of Patrick Shanley. As at the year end, there was no balance outstanding for any transactions for InHealth Group Ltd, Preventicum UK Limited or Tricoya Technologies Limited (2019: £nil outstanding balance with InHealth Group Ltd, Preventicum UK Limited or Tricoya Technologies Limited). Group policy is for all transactions with related parties to be made on an arm's length basis and no guarantees have been given to, or received from, related parties.

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

During the year Matchtech Group (UK) Limited charged Gattaca plc £467,000 (2019: £715,000) for provision of management services. Further details of transactions with Directors are included in the Director's Remuneration Report on pages 76 to 83.

The remuneration of key management is disclosed in Note 5.

25 Financial Instruments

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

Maturity of financial liabilities

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

Group	0 to <1 years £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000	Contractual cash flows £'000
2020					
Revolving Credit Facility	5,117	88	2,515	–	7,720
Invoice Financing working capital facility	170	–	–	–	170
Lease liabilities[1]	1,990	5,746	–	–	7,736

Trade payables	25,922	–	–	–	25,922
Total	33,199	5,834	2,515	–	41,548
2019					
Revolving Credit Facility	531	15,129	–	–	15,660
Invoice Financing working capital facility	29,228	–	–	–	29,228
Trade payables	25,639	–	–	–	25,639
Total	55,398	15,129	–	–	70,527

Company	**0 to <1 years £'000**	**1 to <2 years £'000**	**2 to <5 years £'000**	**5 years and over £'000**	**Contractual cash flows £'000**
2020					
Revolving Credit Facility	5,117	88	2,515	–	7,720
Total	5,117	88	2,515	–	7,720
2019					
Revolving Credit Facility	531	15,129	–	–	15,660
Total	531	15,129	–	–	15,660

Borrowing facilities

The Group makes use of working capital facilities and a Revolving Credit Facility, details of which can be found in Note 20. The Revolving Credit Facility is fully drawn but the undrawn working capital facilities available at year end in respect of which all conditions precedent had been met was as follows:

	Group		**Company**	
	2020 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**
Expiring in one to five years	23,715	24,880	–	–

The Directors have calculated that the effect on profit of a 100 basis point increase in interest rates would be an expense of £402,000 (2019: expense of £634,000).

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

1 As a result of adoption of IFRS 16 from 1 August 2019, lease liabilities are presented within financial liabilities for 2020; comparatives were not required to be restated under the transition approach adopted.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group has a robust approach to forecasting both net debt and trading results on a monthly basis, looking forward to at least the next 12 months. At 31 July 2020, the Group had agreed banking facilities with HSBC totalling £82.5m comprising a £75m Invoice Financing working capital facility and a £7.5m (31 July 2019: £15m) Revolving Credit Facility committed until October 2022. The available financing facilities in place are sufficient to meet the Group's forecast cash flows.

Foreign Currency Risk

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

Net foreign currency monetary assets are shown below:

	Group	
	2020 £'000	**2019 £'000**
US Dollar	6,155	11,324
Euro	4,070	4,561

The effect of a 25 cent strengthening of the Euro and US Dollar against Sterling at the financial position date on the Euro and US Dollar denominated trade and other receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £2,635,000 (2019: £4,279,000). A 25 cent weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and reduced net assets by £1,734,000 (2019: £2,778,000).

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

26 Capital Management Policies and Procedures

Gattaca plc's capital management objectives are:

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

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

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

	Group	
	2020 £'000	**2019 £'000**
Total equity	39,772	41,907
Cash and cash equivalents	(34,796)	(19,173)
Capital	4,976	22,734
Total equity	39,772	41,907

Borrowings	7,455	43,995
Lease liabilities	7,736	–
Overall financing	54,963	85,902
Capital to overall financing ratio	9%	26%

27 Net Debt and Adjusted Net Debt

Net debt is the total amount of cash and cash equivalents less interest-bearing loans and borrowings, including finance lease liabilities. 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.

A reconciliation to Adjusted Net Debt, which excludes lease liabilities and is the Group's preferred net debt measure is also shown below.

2020	1 August 2019 £'000	Net cash flows £'000	Non cash movements £'000	31 July 2020 £'000
Cash and cash equivalents	19,173	15,623	-	34,796
Interest-bearing term loan	(15,000)	7,500	-	(7,500)
Working capital facilities	(29,119)	28,968	-	(151)
Lease liabilities	(10,624)	2,201	687	(7,736)
Total net (debt)/cash	(35,570)	54,292	687	19,409
Capitalised finance costs	124	223	(151)	196
Total net debt after capitalised finance costs	(35,446)	54,515	536	19,605
Excluding lease liabilities	10,624	(2,201)	(687)	7,736
Adjusted total net (debt)/cash excluding lease liabilities	(24,822)	52,314	(151)	27,341

2019	1 August 2018 £'000	Net cash flows £'000	Non cash movement £'000	31 July 2019 £'000
Cash and cash equivalents	9,758	9,415	–	19,173
Interest-bearing term loan	(15,000)	–	–	(15,000)
Working capital facilities	(35,859)	6,740	–	(29,119)
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)
Excluding lease liabilities	–	–	–	–
Adjusted total net (debt)/cash excluding lease liabilities	(40,874)	16,155	(103)	(24,822)

28 Contingent Liabilities

We continue our cooperation with the United States Department of Justice and in 2020 have incurred £1.4m (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.

29 Events After The Reporting Date

On 27 October 2020, the Group repaid its Revolving Credit Facility in full and cancelled the facility.

Subsequent to the year end, NWKI Consultancy FZ LLC was placed into liquidation.