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COMPANIES HOUSE

Realising potential

Annual Report and Accounts 2017





Key financial highlights

Group revenue

£642.4m

2016: £617.6m

Profit before tax

£11.5m

2016: £15.1m

Diluted EPS

22.7p

2016: 31.0p

Net fee income¹

£74.7m

2016: £73.0m

Basic EPS

23.4p

2016: 32.1p

Dividend per share

23.0p

2016: 23.0p

Profit from operations

£12.7m

2016: £15.1m

¹ Net fee income (NFI) is calculated as revenue less contractor payroll costs

Operational highlights

Building our brands internationally

Our Gattaca, Networkers and Matchtech brand presence is growing internationally

Strengthening our leadership

We invested in our leadership team with some key strategic appointments

Reasons to invest

Strategy for growth

With a key focus by sector, skill set and geography

Trusted sector specialists

Engineering and technology niche sector expertise gives competitive advantage

Established leadership team

Combined 60 years' industry experience

Engaged, highly productive workforce

Gattaca employees achieve market-leading productivity

Dividend paying growth stock

Recurring revenue provides stable environment for progressive dividend

Our vision

We aim to be the leading provider of outsourced solutions and specialist recruitment in all our markets

We are experts in engineering and technology recruitment solutions. We exist to connect people and create valuable opportunities for them. This may be connecting job seekers with employers who need them or connecting business leaders and HR directors with outsourced solutions. We see our relationships as something that transcend a single job placement. Our staff are central to this process, so we look for people who are motivated, who demonstrate our values, and who take pride in everything they do.

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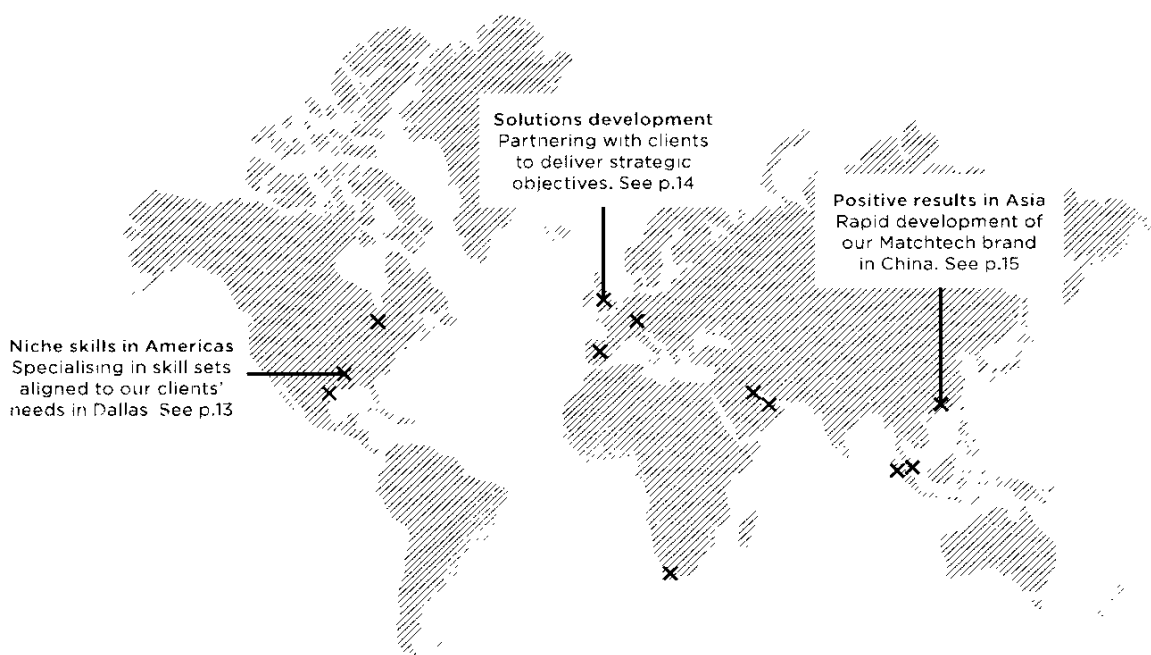
At a Glance

A leading specialist engineering and technology recruitment solutions company, with UK and international operations

Established in 1984, Gattaca has grown into an international business with more than 800 staff around the world, and the ability to support client requirements in over 100 countries. The Gattaca group consists of a number of specialist recruitment brands, including the UK's number one engineering recruitment specialist Matchtech, top five technology recruitment specialist Networkers, professional staffing consultancy Barclay Meade, and skills and employability specialist Alderwood.

We help companies realise their full people potential, by providing outsourced staffing solutions and recruitment services to those operating in the engineering and technology markets. We offer a personal service to each company we work with - from international engineering consultancies with thousands of employees to niche small and medium sized enterprises (SMEs) operating in emerging technology fields like artificial intelligence. We help them overcome their recruitment challenges and achieve their business goals.

Where we operate



Fast facts

15 offices, 12 countries

800+ employees

2,500 employers

9,500 contractors

4,000 permanent placements

1 million+ candidates on database

No.1 UK engineering recruitment specialist

£642m revenue

Our business at a glance



Gattaca operates across the following industrial sectors and skill sets globally. However, not all sectors and skill sets are represented in every country.

Technology at a glance

Our technology business Networkers specialises in IT and Telecoms, covering:

IT

Cloud
Cyber Security
Development
Enterprise Resource Planning (ERP)
Leadership
Public Sector
Technical Sales

Telecoms

Network Infrastructure
Operations Support Systems and
Business Support Systems (OSS/BSS)
Research & Development (R&D)
The Connected World

Read more on pages 20 and 21.

Engineering at a glance

Our engineering business Matchtech specialises in eight key sectors:

Aerospace
Automotive
Energy
Engineering Technology
General Engineering
Infrastructure
Maritime
Professional

Read more on pages 20 and 21.

Our specialist brands

MATCHTECH

NETWORKERS



PROVANIS
a networkers brand

BarclayMeade

Alderwood



“
The challenges engineers overcome in Engineering Technology and the projects they work on are so cutting edge. I find it fascinating.
”

Izzy Eustace – London
Recruitment Consultant

Chairman's Statement

A strong 'people' business

“We expect to see growth in our key international markets, where we have the ability and capability to expand above market growth.”

While the headline results reflect a challenging year, there has been significant progress in many areas, and we are confident there is further improvement to come. The Board is committed to achieving these improvements and restoring the Group to profitable growth.

Gattaca has a strong market position as a truly specialised recruiter wholly focused on engineering under the Matchtech brand and technology under Networkers. We expect to expand our position in both sectors, particularly in areas where there are significant skills shortages.

At present, with around 80% of our business generated by our UK offices, we remain heavily dependent on the UK economy. We have achieved stronger results in the UK than many of our peer group, but we recognise we must do even better.

Our international business, while growing in the Americas and Asia, has faced challenges in the Middle East and South Africa. We continue to invest internationally in sales headcount and new offices where we see significant opportunity for growth.

The integration of Networkers into the Group is now complete, although it took longer than we originally hoped, as we combined the best of the two cultures, rather than impose one over the other.

Our most important asset continues to be our people. We have a highly engaged and productive workforce – one of the most productive in the industry – led by an experienced and established management team. Our aim is to attract and retain the best talent and we are pleased we are seeing retention rates above the industry standard.

Our dividend policy remains an important part of our investment proposition. We set the dividend by taking into account current levels of debt, dividend cover and future earnings expectations. As a sign of our confidence in the Group's future performance and despite a fall in diluted earnings per share (EPS) to 22.7 pence (down 27%), the Board is pleased to propose (subject to shareholder approval) a maintained total dividend for the year of 23.0 pence (Interim paid: 6.0 pence, Final proposed: 17.0 pence).

We made two appointments to the Board in the last year. Salar Farzad was appointed our new Chief Financial Officer and Mark Mamone joined as a Non-Executive Director. Salar comes from a media background and has extensive international experience, with the benefit of having worked for a number of quality 'blue-chip' organisations. Mark brings deep technology experience to the board and has already established a Digital Advisory Committee to help us in this area. On behalf of the Board, I would like to thank Tony Dyer, our departing CFO, for the contribution he made to the Company over the last 21 years. We also extend our best wishes to Rudi Kindts, who retired as a Non-Executive Director in July 2017.

The medium-term strategy for Gattaca is to continue to expand our international footprint, as well as the offices where we already operate. While international will become a larger share of the overall portfolio, we will also continue to grow in the UK. In a very fragmented industry, there is room for growth and plenty of opportunities in both our core sectors.

Group's employees are exceptionally good at what they do and everyone from the Board downwards is committed to delivering sustained improved performance.



Patrick Shanley
Non-Executive Chairman



Building on our strengths

Gattaca is a leading specialist engineering and technology recruitment solutions company, with UK and international operations. We operate in the specialist STEM markets (science, technology, engineering and maths), all sectors with skills shortages, where clients value our support to attract and retain suitable talent.

One of Gattaca's distinguishing characteristics is our focus on people, through which we aim to attract and retain the best talent. This focus is working. Gattaca is now recognised as an employer of choice in the recruitment industry, due to the unique workplace culture we have built. An engaged, low-turnover workforce is one of the reasons we are a high productivity business, based on net fee income (NFI) per head. This, combined with our relatively low cost base, produces an industry-leading conversion ratio of gross to adjusted operating profit.

We have a simple three-point strategy, which is to sharpen our focus, move up the value chain and think globally – in effect, to continue to position ourselves as specialists in our chosen sectors and skill sets, to aim for higher value projects and relationships, and to replicate our successful UK engineering model in the technology sector and in fast-growing international markets.

Performance overview

In the UK, our overall lower pro-forma NFI performance of 4%, when compared to the prior year, was slightly better than the market. Our continued focus on recurring contract revenues (80% of NFI on a pro-forma basis) has provided stability, compared with the more volatile permanent fee revenue stream.

UK Engineering – 59% of Group NFI on a pro-forma basis

Results varied across contract recruitment (NFI up 1% pro-forma) and permanent recruitment (NFI down 15% pro-forma), in our industry verticals as major projects and initiatives closed or came on line.

Our aerospace division grew by 13% as manufacturers invested in and restructured their businesses.

The automotive division was down 12% as car-makers and their suppliers delayed non-essential investment following the EU referendum. However, there are significant opportunities in the electric and alternative fuel vehicle sector.

In the maritime sector, we saw a 21% drop in NFI as we rebuilt following the completion of a number of projects. However, the sector is now growing in the UK, and with some major naval projects underway in Barrow and Glasgow, the outlook is more positive and we expect a return to growth this year.

In the infrastructure sector, NFI was down 5%, partly due to changes in tax treatment of public sector contractors (IR35). Within the water sector, the supply of civil, mechanical and electrical discipline specialists into the major UK capital delivery water frameworks saw us achieve 10% year-on-year NFI growth. This reflects a market boosted by the regulatory AMP6, a five year capital delivery programme, where billions of pounds are invested into the UK water industry to maintain, improve and build on the UK's current clean and wastewater infrastructure. Our rail business declined slightly on the prior year, mainly due to external factors such as IR35 and market uncertainty, which saw some projects delayed or put on hold. The buildings sector saw us heavily affected initially by the market's response to the EU referendum in June 2016 and, towards the end of the year, the snap General Election in June 2017. A combination of these issues and a lack of confidence from investors resulted in a 38% drop in NFI year on year. The market has now stabilised with help from Middle Eastern and Far Eastern investment, and growth in the market is being forecast into 2018. Within the highways sector, we saw an NFI drop of 10% year on year in the public sector where the negative impacts of HMRC legislation changes were too big for the private sector to recover. However, the sector has responded and activity within our public sector clients is improving, alongside high private sector investment.

In our general engineering division, positive contract growth of 4% was offset by a weaker performance in permanent recruitment, down 26%, and total NFI reduced by 9%. However, demand for manufacturing skills on a temporary basis was consistently high, particularly within the FMCG, consumer electronics and defence sectors. Energy was down 3%, but saw growth from transmission, distribution and renewable energy. Despite delays at Hinkley Point C, we expect requirements to increase this year. The converging engineering technology market, where we supply software, electronics and automation specialists across our engineering sectors, was the stand-out performer, with 19% year-on-year NFI growth. This reflects both a buoyant market and the increasing shortage of

“
We operate in the specialist STEM markets, where clients value our support to attract and retain suitable talent.
”

Brian Wilkinson
Chief Executive Officer



Chief Executive Officer's Review continued

“
**We believe
our position
within the
'convergence'
market to
be unique.**
”

these skills in the UK. The UK automotive technology market, in particular, offers exciting opportunities as the hybrid electrical, connected car and autonomous driving markets evolve. Our strong ties with the traditional engineering base are key to these openings.

Midway through the year, in February 2017, we acquired a majority stake in Resourcing Solutions Limited (RSL), a leading recruiter in the rail industry and a clear complement to our Matchtech business. The deal positions us well to take advantage of the increasing investments to come in rail infrastructure, both in the UK and around the world. For example, we are working on three major rail projects in Malaysia. RSL brings us expertise in signalling, electrification and safety, and also coverage across the UK in rail, to enhance our previously London-centric rail business. The acquisition was earnings enhancing from day one.

Barclay Meade, our professional services brand, recruiting finance, procurement, sales and HR professionals, had a disappointing year with an NFI decline of 21%. The second half of the financial year saw a much stronger performance from procurement, our largest department, and we continue to see high demand for procurement and sales professionals, particularly from our engineering clients.

Alderwood, which places trainers and assessors with training providers throughout the UK and the Middle East, saw a 4% NFI drop. The implementation of the Apprenticeship Levy has, however, led to a recent upturn in business levels.

UK Technology - 21% of Group NFI

UK Technology NFI was 8% lower than in 2016, with contract down 7% and permanent 8% lower. IT NFI was down 5% whilst telecoms continued to be challenging, being 13% lower. However, certain niches, while smaller at this stage, are showing strong growth, for example converging telecoms, which was 43% higher than last year.

During the year, we carried out a strategic review of our technology recruitment business, largely acquired from Networkers, as we completed its operational integration. We have repositioned Networkers from being a generalist telecoms and IT recruiter to a highly focused specialist business that enables our clients to find scarce experts in growing and attractive niche markets, such as data science and cyber security.

While our newer business areas are achieving growth, many of our legacy businesses continue to be challenging and, as in Engineering, results were mixed across our businesses, which are aligned to skill sets.

Within our IT business, security doubled its NFI and cloud grew 8%, strategic accounts grew 12%, leadership grew 5% and our public sector business grew 6%, though in the latter we saw negative growth in H2 following the IR35 tax changes in April 2017. Since this time we have seen a reduction of 35% in our public sector contractor numbers. To lessen the impact in this area, we have diversified into offering permanent resourcing in the public sector market.

These examples of growth are arising as organisations are investing heavily in applications and software to gain a greater insight into their markets and customer profiles. This is resulting in increased demand for skills in areas such as data science and data analytics. The next stage in the progression of our clients using data and algorithms will see the increased use of artificial intelligence (AI) and robotics to drive process and cost efficiencies. We are therefore making early stage investments in this area, developing candidate pools to support our clients' growth in these newer technologies, and we are having particular success in the autonomous vehicles sector.

There has also been a large number of start-up organisations developing products in this area. Towards the end of 2017, we established a new specialist business unit to support these clients by supplying not only relevant technology skills, but also sales professionals to help them build their businesses. The area of technology sales is proving lucrative across our technology landscape, and we are investing in it, to complement our technology service offering. Although this area is nascent, we are seeing encouraging initial results.

Our legacy IT businesses faced more headwinds, with corporate accounts down (20)%, development down (18)% and ERP down (10)%. With the move to more cloud-based ERP solutions, we are experiencing fewer large implementations of products such as Oracle and SAP, leading to reduced demand for contract staff. To counter this, we have realigned our product offering to other areas within the cloud market, including by focusing on senior architecture staff as well as specialising in providing staff in application markets such as salesforce. We have reduced staffing levels in these business units and reinvested the savings into the growth areas referred to above.

With the shift in strategy by a number of our telecoms clients to diversify their business away from their roots as traditional vendors, we are seeing increased demand in skills required to support the growth of the Internet of Things. While our legacy corporate accounts business saw NFI reduce by (23%), we held NFI level in our operations and business support (OSS/BSS) business unit and encouragingly, we grew NFI in our new converging communications area by 43%.

International – 20% of Group NFI not including international income generated from UK offices

Before the acquisition of Networkers (in April 2015), we were highly UK-centric with 98% of our sales being domestic. Through the acquisition, we inherited a small presence in 10 countries, and we are now growing these international operations to diversify our geographical market and widen our client base.

Market Snapshot

Here we look at some key market trends that influence our operations.

Economic – it pays to specialise

Depending on definitions, there are between 18,000 and 28,000 recruitment providers in the UK, with over 1,000 start-ups registering last year alone. Of these, nearly 10,000 had a turnover of more than £250,000. The UK industry is worth over £35bn a year and predicted to continue growing as candidate availability tightens. With more and more competitors in the market, being a specialist provider helps a recruiter stand out, offering promise for employers who need specialist skills. Engineering is one of the top three sectors for permanent placements, and clients need recruiters and candidates with the right expertise.

Technological – convergence is getting closer

Convergence in our markets is where there is overlap between engineering and technology. While auto manufacturers have used complex software for many years now, autonomous vehicles takes this requirement to a different level. The same demand for technology skills applies to defence and rail manufacturers, and any form of production automation. What this means is that the gap between traditional engineering skills and newer IT skills gets narrower every day. The effect is an increase in requests from the engineering sector for candidates with skill sets from the IT sector.

Social – the new world of work

The concept of a 'job for life' has not been with us for a while. People move where their skills take them, and as they are needed – creating growth in contract work. Or they move to what they perceive as a better employer, hence the need for employee engagement expertise. So the lines between

contract and permanent workforces are blurring as candidates look for the right project to suit their short to medium term plans. We have seen a growth in 'statement of work' roles – those taken on for specific activities, deliverables or time frames. And then there is the gig economy, the 'human cloud' of freelance workers. In addition, human roles are lost to automation, or gained in creating that automation. So today is a fast-changing, fluid recruitment world, and it brings the need for solutions services to help companies recruit and retain staff effectively and efficiently.

Political – dealing with economic uncertainty

In the UK, ongoing Brexit negotiations, IR35 tax changes and the 2017 general election have caused economic and political uncertainty, and affected confidence in the job-hiring market. Demand for new hires, along with candidate availability, has been flat. Changes to legislation have also been affecting international markets. According to Staffing Industry Analysts, there were 183 legislative changes between 2016 and 2017 across Asia Pacific, Europe, North America, Latin America, the Middle East and Africa. However, commercial imperatives – such as adoption of alternative energy sources and 4G telecoms in the USA, plus infrastructure projects and fintech business in Asia Pacific – provide a positive balance. Generally, firms that diversify internationally are developing an inbuilt resilience to uncertainties in a single region.

Chief Executive Officer's Review continued

“We have rolled out the Matchtech brand in many countries and have enjoyed rapid success in Asia in particular.”

Progress in these areas is taking time, and we saw 4% negative NFI growth (in constant currency) in international operations over the full year. However, within this division, we have seen strong growth in our Americas business (up 27% year-on-year on a constant currency basis in Q4) and in Asia (with 14% year-on-year constant currency growth in Q4). We anticipate this momentum continuing in both regions, and that the Middle East and Africa (MEA) region will return to growth in 2018.

During the year, we established a presence in Munich to take advantage of the opportunities we see in Germany. Bavaria is the centre of European engineering business, particularly for automotive and aerospace clients and their supply chains.

Networkers is now operating in Madrid, where we are focusing on permanent and contract roles across bank technology, SAP and supporting the Unisys account. We have also invested in developing a communications team focusing on cloud and security, and reinforcing FinTech, working with four of the top 10 banks in Spain.

In the Americas, the USA saw growth of 96% year on year in Engineering. Within Technology, a shortage of software sales executives has led to a huge drive by technology companies to acquire the best.

We have exclusive agreements with three such clients across the Americas. The telecoms business saw a considerable upswing in H2, driven by 4G densification efforts by the big four operators. We expect this to continue as operators prepare their networks for 5G deployment. FinTech continues to grow strongly and we are ideally positioned to take advantage of this with offices in Toronto and Mexico City, two of the three largest financial hubs in North America. In Latin America, huge 4G deployments and new market entrants are behind growth in the telecoms sector, and our global relationships with large vendors such as Huawei and Nokia have us well positioned to take advantage. The introduction of the Matchtech brand has led to us serving a much more diversified client base within the construction and automotive sectors.

This success has been replicated in Asia, where we have seen strong growth under the Matchtech brand. We are achieving this due to the demand for specialist talent to support large infrastructure projects, particularly in Malaysia, where we are working on several large rail and road projects, as well as new build projects. We launched the Matchtech brand in China during the year and, in addition to growth in infrastructure business, we have secured key client wins in the automotive sector.

Africa had a challenging year, with a difficult political and economic backdrop precipitating a 24% NFI decline. Our Infrastructure team, however, showed solid growth and the outlook is promising with infrastructure development seen as the key to unlocking economic growth on the continent. Our IT team saw NFI growth of 5%, with a key focus on FinTech, an area in which we expect to benefit from regional market growth.

In the Middle East, our largest market is construction, much of it for Expo 2020 in Dubai. Rail will be a growth market in 2018 with the Doha Metro and Riyadh Metro to come, and further potential opportunities in Oman and Kuwait. We are also expecting more work in stadia and infrastructure with the lead up to the FIFA World Cup in Qatar in 2022. In addition, governments are planning renewable energy projects, and we also expect growth from the large nuclear plant being built in Abu Dhabi.

Strategic progress Sharpen our focus

Matchtech has long been seen as a specialist in some highly attractive engineering niches. We have now replicated this clarity in our technology recruitment business, Networkers, through careful market segmentation. We have identified what we believe to be attractive, high-growth markets within IT and telecoms, and we are building our presence and improving our performance in them.

Another exciting opportunity afforded by the Networkers acquisition is in the convergence between engineering and technology. This was part of our rationale behind the acquisition, and it is now coming to fruition. Our Engineering Technology department, created to exploit this convergence, was our fastest-growing business unit in FY17, with NFI up 19%. We believe our position within the 'convergence' market to be unique, no other recruitment firm of our size and geographical spread focuses purely on engineering and technology. This gives Gattaca a commanding competitive position as a recruitment firm which understands its engineering clients' traditional business models, but which can also source the recently emerging and nascent technology skill sets these customers now need. From factory automation to autonomous cars, we are identifying data scientists and AI developers for our traditional OEMs and supply chain clients. These clients often need a recruitment intermediary, such as Gattaca, to help them attract technology candidates who may not see such companies as cutting-edge employers in the digital age.

Move up the value chain

Our Solutions business, relaunched during the year, is emblematic of our move up the value chain. Gattaca is increasingly securing agreements to provide services to clients which move beyond a basic recruitment offering. The Gattaca brand enables us to position ourselves not just as experts in finding niche talent, but as HR and consulting specialists that can help our clients improve how they conduct their business, not just how they recruit. We offer a wide range of consulting services, outsourced workforce solutions and – on a carefully controlled basis – delivery of outcome-based statements of work. These are based on collaborating with our clients to address their needs, support their success and improve the efficiency of their resourcing models. As an example, we have developed a respected expertise in first attracting, then engaging and retaining our own staff internally. We are now taking that experience and capability out to market, working with our clients to improve their employer brand and the value proposition they offer to potential and existing staff.

We have also made great progress in deepening our relationship with Gattaca's key clients. During the year, we invested in additional business development and account management resource. This contributed to an increase in the NFI generated by our major clients during the year, which will be annualised going forward. Additionally, we launched a key account development programme, working across our brands, service lines and regions. Our aim is to build deeper and stronger relationships with our major clients. This is showing early signs of success, with 11 targeted clients moving into our top 50 customers by value as a result of this initiative.

Think global

We have restructured our businesses internationally, creating Regional Managing Director roles in the Americas and Asia which has led to greater focus and collaboration between the offices in our network. During the year we also installed new management in the MEA region. Such is the importance we place on our international expansion that both Regional Managing Directors report directly to the Group Chief Executive. We have rolled out the Matchtech brand in many countries and have enjoyed rapid success, in Asia in particular. We have segmented the technology businesses in recognition of the fact that our clients' most acute recruitment needs are in skills-short niche markets. We have identified the OSS/BSS and R&D functions of our long-standing telecoms clients as an opportunity for us to form an even stronger relationship with them.

Taking advantage of our international footprint, we are now positioned to work on many of our global clients' major regional recruitment projects. Last year we reported on the pan-European managed service programme (MSP) won with Unisys under which we supply all the company's contract staff requirements across Europe. As part of the fulfilment of this contract we established new operations in Spain and Germany during the year and these have now evolved to become sales operations in their own right. Whilst these are both at early stages of development, with low headcount and no major long-term cost commitment, they represent a continuation of the controlled international roll-out of our brands, further reducing our dependence on the UK market. On the back of the success of this agreement, Unisys awarded us additional work last year, in two recruitment process outsourcing (RPO) contracts to supply permanent staff.

Chief Executive Officer's Review continued

We are diversifying and growing our international client base through our permanent recruitment service, which grew by 7% (constant currency) internationally year on year in 2017. Success in permanent recruitment is a proven entry strategy, leading to opportunities to provide contract recruitment services (and their associated recurring revenues) in markets where the contract opportunity is large, as in North America.

In the USA, we have now diversified from four major clients at the time of acquiring Networkers in April 2015, to more than 50, with plans for further substantial increases. While permanent NFI drove our growth in 2017, our focus on quality contract business is now also bearing fruit. We are continuing to grow our Dallas office. This base location will support the sales resource we recently added in the Austin area, taking advantage of its position as a tech hub and growing our presence in the Texas market. This arrangement mirrors the development of our UK business, where our Whiteley head office supports other operations around the country.

The macroeconomic trends in our international markets are positive and we are servicing major engineering projects around the globe.

Getting in shape

We aim to attract and retain the best consultants, working towards replicating the high-engagement, high-productivity model originally developed by Matchtech in the UK, which has led to our long track record of high conversion ratios. To help achieve this in our international offices, we have taken more space, fitted out to a higher standard than is the norm for the recruitment industry and with a consistent branding and look across the network. To better support the development of our international businesses, we have also increased our Group Support headcount to facilitate our controlled growth overseas.

Since staff costs represent 80% of our overhead, we continue to flex headcount in line with market opportunity, adjusting our cost base in line with the economic situation. During 2017, we reduced UK headcount slightly while increasing staff numbers internationally. Notwithstanding the slight increase in our Group Support headcount during the year, to better support this future international growth, we continue to target improving the fee earner to non-fee earner split from 71:29 at July 2017 to towards 75:25 by July 2018.

We are continuing to invest in front-office and back-office systems as we equip ourselves to run a truly international business. We are making good progress on implementing one Finance and HR information system globally, and we have identified a new customer relationship management (CRM) system with plans to roll it out across the business. These are steady, considered investments and are part of our continuing programme of upgrading our capability.

During the year, we launched the Gattaca website, complementing the improved Matchtech and Networkers websites introduced in 2016. Our customers can now access the range of services we provide across the Group, including those of Gattaca Solutions. We are now able to advertise our internal staff requirements around the world, leading to a more consistent candidate experience and the development of Gattaca as an international employer brand. In combination with our social media activity, this effort is paying off, with Gattaca now one of the highest rated recruitment businesses on Glassdoor (the global employer review site) and with five star reviews of our employer brand on Facebook.

Outlook

We will continue to position the Group to maximise growth opportunities both in the UK and internationally. We believe the investments we have made during the year, will deliver good returns in 2018 and beyond. We are now well placed strategically to take advantage of the increasing convergence between the engineering, IT and telecoms skill sets, and to grasp the opportunities presented by infrastructure investment commitments around the world, particularly those made by the UK and US Governments.

While we continue to monitor uncertainty in the wider economy, we will invest selectively in strengthening the business to support our medium and longer-term performance.



Brian Wilkinson
Chief Executive Officer

Our business model

Investment proposition

We believe the following factors combine to create a compelling proposition:

Geographical distribution

While continuing to grow our UK business, we aim to increase the proportion of overall business contributed by overseas markets. This reduces our dependence on any one region.

Sector distribution

We aim to have a balanced distribution between engineering and technology. Both sectors offer significant growth opportunities; presence in each provides greater resilience to downward trends in either sector; and presence in both sectors helps us exploit the increasing convergence of the two.

Managed services development

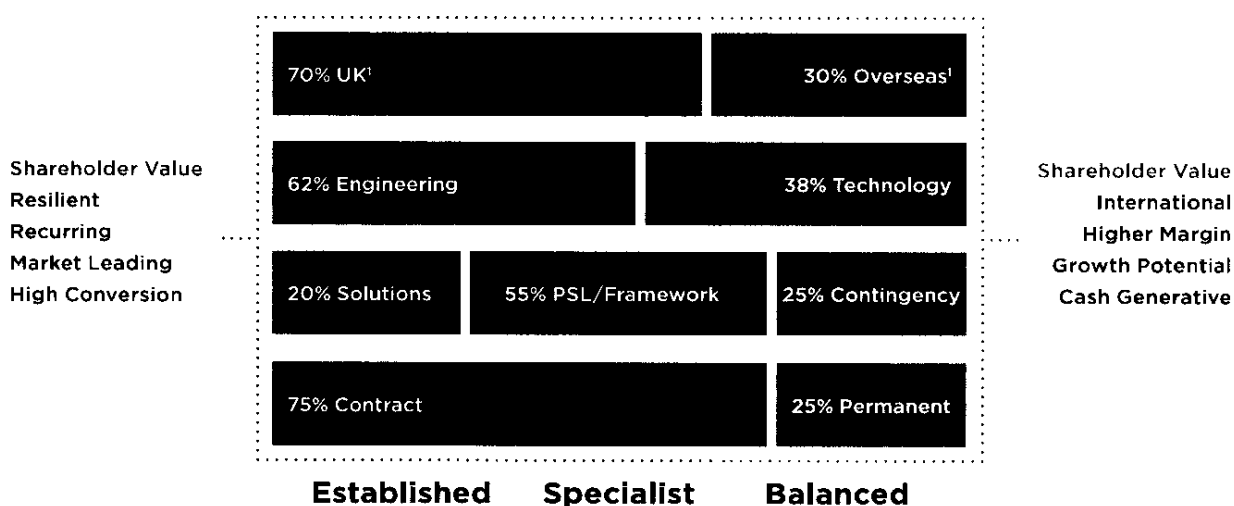
We aim to increase the proportion of Group overall business provided by our Solutions business unit. This includes MSPs and recruitment process outsourcing, as well as HR consultancy services and project-focused recruitment needs. Agreements in these areas typically last for over five years, providing us greater visibility of earnings as well as enhanced customer loyalty and retention.

Contract versus permanent recruitment

We aim to flex our blend of income that comes from contract and permanent recruitment through the cycle. Contract provides greater revenue predictability. Permanent income, though more volatile, is higher margin and generates cash.

Business model

Net Fee Income (NFI) Contribution Distribution



Strategy in Action

1. Sharpen our focus

We focus on the engineering and technology sectors. This clarity on these sectors and skill sets is what differentiates us from our competitors. Within each of our brands, our consultants are specialists in their markets and can consult and advise with confidence. We know from research that our clients and candidates want to work with a specialist recruiter; someone with valuable knowledge and expertise, who can understand their challenges. This, in turn, helps our consultants build long-term relationships.

- › Acquiring RSL enhances our specialism in rail, power and the built environment, improves our signalling and rail safety capability, and positions us to take advantage of international rail infrastructure investment.
- › We are replicating the specialist nature of our engineering business in our technology business, restructuring our telco business to focus on key niches, and targeting growth in technology areas such as cyber security and data science.
- › We are well positioned to take advantage of the convergence in engineering and technology. We are the only major firm to specialise only in both, resulting in Engineering Technology becoming the Group's fastest-growing business.

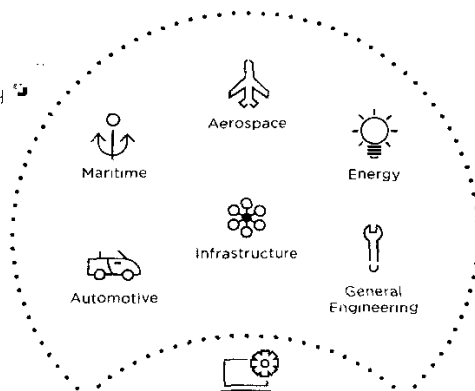
“
Due to the ever evolving and converging technologies within the telecoms landscape, we undertook extensive research to focus on the skills that will be in high demand. This has enabled our recruitment consultants to concentrate on hiring specific skill sets, ensuring a specialist approach and providing a better service to candidates and clients.
”

Saul Penhallow – London
Communications Divisional Director



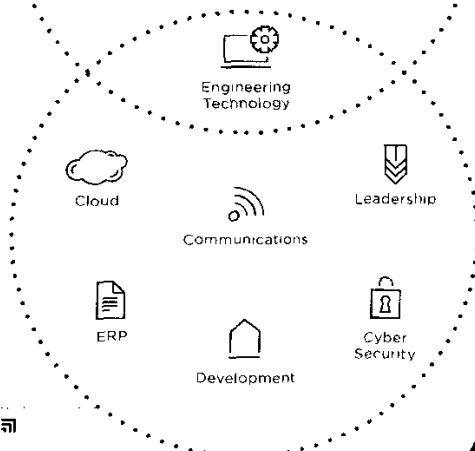
Engineering

MATCHTECH



Technology

NETWORKERS

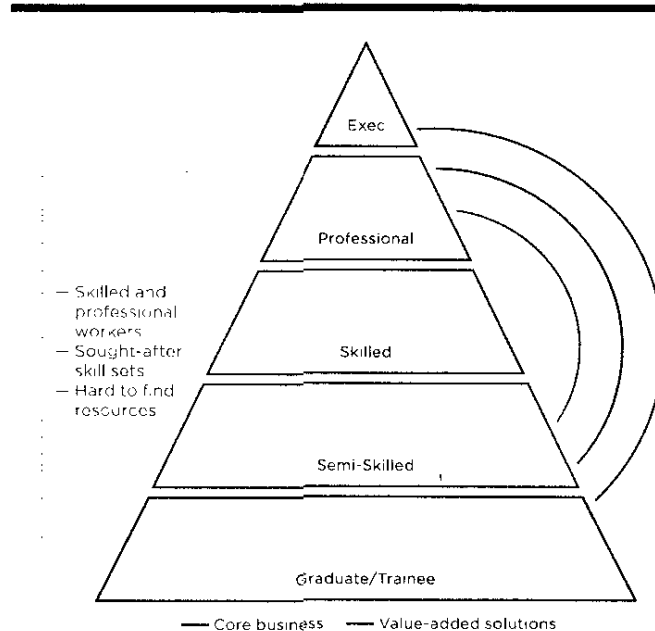


2. Move up the value chain

Moving up the value chain means building relationships so we become a trusted long-term partner to our clients. Around 75% of our business comes from clients who have appointed us on their framework or preferred supplier lists (PSLs), as they value our service. One-off business is profitable, and useful for opening markets or relationships, but is less predictable. Our clients draw on our experience for finding scarce, professional candidates in niche skill areas, and placing valued, key individuals who are strategically important to their business. This also leads to a demand for solutions we can tailor to our clients' recruitment and people management needs and we can structure our pricing accordingly.

“Consistent with Group goals, our Americas team continues to specialise. A particular strength of ours has been the recruitment of software sales professionals; this burgeoning area is a great asset as these professionals can make or break the success of our clients' strategies.”

Matt Evelt – Dallas
Managing Director – The Americas



A. Talent Acquisition
— Attraction
— Assessment
— Selection & Vetting
— On-boarding

B. Talent Management
— Workforce Mix
— Workforce planning
— Talent Mapping
— Benchmarking
— Exit Management
— Governance

C. Strategy & Consulting
— Consulting
— Employee Value Proposition
— Branding
— Social media Strategy



Strategy in Action continued

2. Move up the value chain continued

- › Gattaca is now the brand with which we take our Solutions business to market. We provide solutions to common but significant challenges businesses face every day in finding, attracting, managing and retaining talented people. These include enhancing the recruitment processes, using new technology and improving the candidate experience. In engineering and technology, these challenges are amplified by the talent shortage in the market.
- › We are members of the Institute for Collaborative Working, a worldwide organisation that helps businesses build and develop effective, competitive business relationships. This approach enables us to become a true partner to our clients, enabling us to help them achieve their business goals. A recent example of this approach came with the extension and expansion of our agreement with Ricardo. We have recently secured a seven-year contract to be fully accountable for the full candidate experience across all business units and types of recruitment.

“

Gattaca has built trust with us over the years and we have confidence that their continued support will enable us to succeed in our strategic objectives, thus delivering value to our own shareholders as well as Gattaca's.

”

Dave Shemmans – Shoreham
CEO, Ricardo



Case study – Ricardo

Realising potential

Ricardo is a global engineering and strategic, technical and environmental consultancy business with a value chain that includes the niche manufacture and assembly of high performance products. Having been a key client of Gattaca since 1997 (via our Marchtech brand), both organisations have partnered with each other to enable our businesses to be a success in our respective specialst fields.

A closely aligned vision and culture have underpinned steady and constant evolution of our partnership, from contingency support in the early years to more established PSL models, and subsequently an exclusive relationship.

In line with our strategic objective to 'move up the value chain', we renewed and extended our relationship with Ricardo in 2017. We now have an agreement to deliver both permanent and contract recruitment solutions to Ricardo during a critical time in their illustrious history, as automation and technology transform the shape of their industry.

In addition to our recruitment services, we are consulting with Ricardo. We are doing so through the effective implementation of creative employer branding, such as the industry 'Pioneers' attraction campaign we are running for them. We are also carrying out a full review of operational processes, a revamp of Ricardo's Employer Value Proposition, the introduction of cutting edge technology and a revised approach to global, niche, candidate attraction. Through these initiatives we have committed ourselves not only to provide traditional recruitment services, but to assist our client in delivering on their own strategic objectives.

3. Think global

Many of our clients are global businesses looking for specialist help on a broader scale. With our international network and experience in placing candidates in over 100 countries, we are able to support them wherever they are. With 15 offices in 12 countries, we focus on emerging and fast-growing markets, drawing on our experience and replicating the culture and skills that have served us well to this point. Similarly, we can help the growing number of professionals looking for job opportunities abroad. Our research shows that 54% of technology professionals and 49% of engineering professionals would consider moving abroad at some point in their career.

Since acquiring Networkers we have added to or changed management in every country and region, with new leadership in the MEA region this year complementing the introduction of the Regional Managing Directors to the Americas and Asia last year. Also in 2017 we appointed our first Global Account Director, based in China and dedicated to helping us and our largest client maximise mutual opportunities. We continue to invest in growing our international sales headcount, with a 38% and 21% increase in the Americas and Asia respectively last year. This is driving the growth in these regions reported elsewhere in this report. We are particularly pleased by the rapid development of our Matchtech brand in Asia, where we now have substantial engineering recruitment sales teams in both Malaysia and China from a standing start.

“
At the start of 2017 we began developing the Matchtech brand in China. Starting from scratch and focusing on various engineering sectors, from automotive and rail to aero and energy, the team is starting to see real success, working with some key players in those markets and gaining positions on PSLs.
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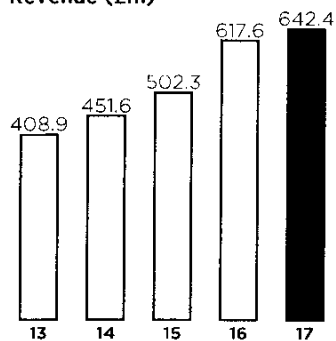
Cherry Li – Beijing
Head of Engineering



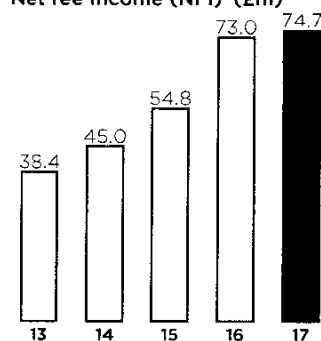
Key Performance Indicators

Measuring our performance

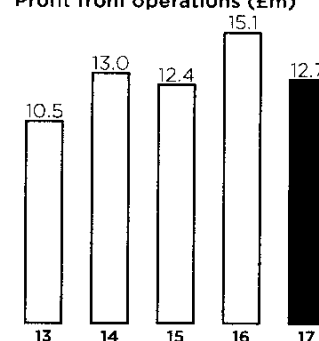
Revenue (£m)



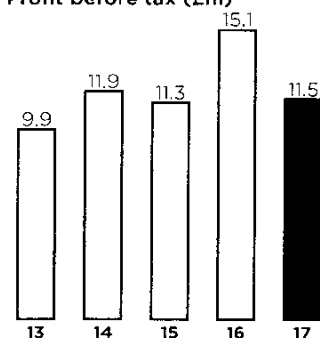
Net fee income (NFI)¹ (£m)



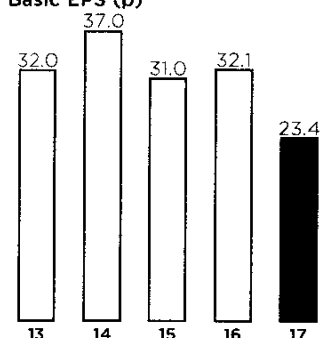
Profit from operations (£m)



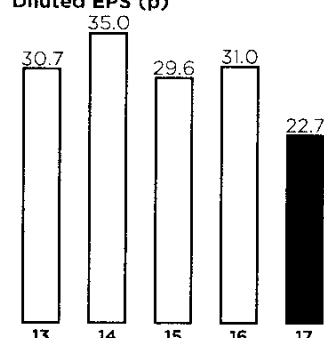
Profit before tax (£m)



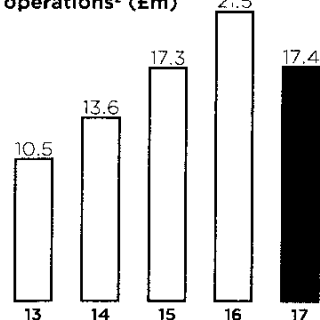
Basic EPS (p)



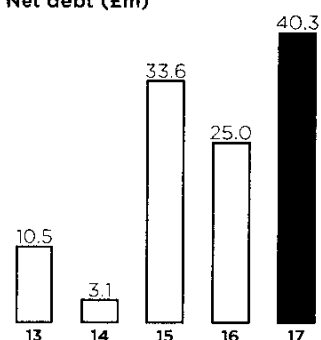
Diluted EPS (p)



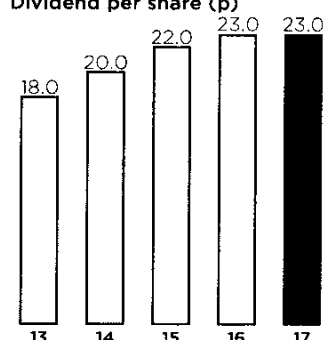
Adjusted profit from operations² (£m)



Net debt (£m)



Dividend per share (p)



Notes

- Net fee income is calculated as revenue less contractor payroll costs and is disclosed as gross profit on the income statement.
- Adjusted results exclude acquisition costs of £0.2m (2016: £nil), non-recurring costs of £1.5m (2016: £2.4m) and amortisation of acquired intangibles of £3.1m (2016: £3.7m). See Note 25 to the Financial Statements for further detail.

Risk management and control

“
The effective day-to-day management of its risks is delivered through the way we do business and through our culture.
”

The Board believes that effective risk management and a sound control environment are essential for us to deliver our strategic priorities.

Whilst the ultimate responsibility for risk management rests with the Board, the effective day-to-day management of risks is delivered through the way we do business and through our culture.

We believe that the effective management of risk should be delivered through a mix of ‘top down’ (which collates executive management and Board views of key risks) and ‘bottom up’ (which collates the views of the business functions on risks in their area) approaches.

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

The Group aims to be risk aware, but not overly risk averse. We recognise that to achieve our objectives we will take on certain risks, but should do so in an informed manner such that:

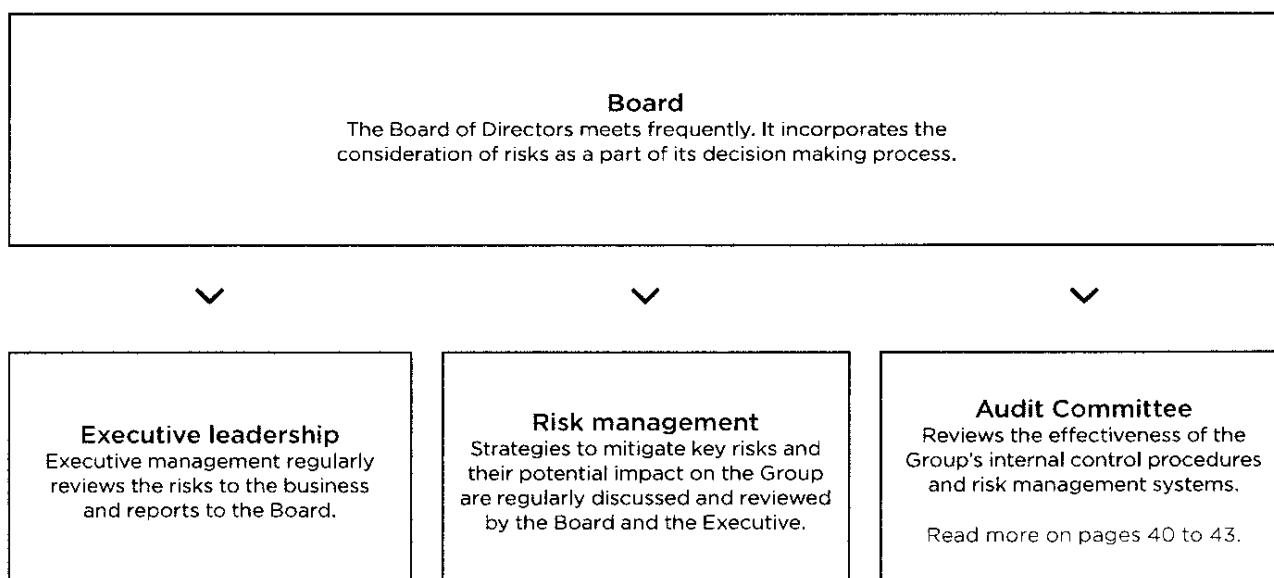
- › the level of risk is consistent with the potential rewards; and
- › the impact, should the risk materialise, can be managed or absorbed.

We are averse to risks that could:

- › negatively affect the safety of our staff, clients or contractors;
- › negatively affect our reputation;
- › lead to breaches of legal or regulatory requirements; or
- › endanger the future existence of the business.

Further detail is set out in the Corporate Governance Statement.







Our risk model



Our Principal Risks and Uncertainties

Effective risk management

The Corporate Governance section describes in detail how the Group manages its risk from the Group Board level via its respective sub-committees and throughout the organisation. Further details can be found on pages 29 to 63. The table below details each principal risk, those aspects that would be impacted were the risk to materialise, our assessment of the current status of the risk, and how the Group mitigates it.

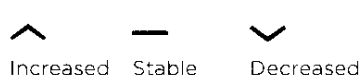
Financial		
Risk	Mitigation	Status
Financing Failure to secure adequate financing, whether to fund expansion or trading or to finance a bad debt, would have a material effect on results. The level of contract margins, NFI conversion, the terms on which we pay and are paid, contract versus permanent balance and the speed of growth all affect the Group's ability to generate cash.	<ul style="list-style-type: none"> ➤ We maintain a strong balance sheet with serviceable levels of debt. ➤ The Group has financing facilities of £105m comprising a £75m invoiced financing facility and a £30m revolving credit facility, both committed until October 2020. ➤ We hold regular discussions to ensure we have our bank's backing to fund strategic plans. ➤ We have procedures to check the creditworthiness of new clients with external agencies, regularly reviewing credit limits. ➤ The Group has a diverse mix of clients and is not financially dependent on any single client. 	
Foreign exchange Trading across international borders raises the risk of foreign exchange differences between trading currencies, in terms of both cash and translated results. Following the EU referendum in the UK, there has been increased volatility in the value of GBP.	<ul style="list-style-type: none"> ➤ For sales denominated in foreign currency, the Group seeks to ensure associated direct costs are denominated in the same currency. ➤ The Group monitors the gap in assets and liabilities denominated in foreign currencies required to be translated into GBP at the balance sheet exchange rate. Where the risk is considered to be significant, the Group will enter into a forward exchange contract with a reputable bank. ➤ The Group regularly exchanges surplus foreign currency to minimise the gap in assets and liabilities denominated in foreign currency. 	
Market		
Risk	Mitigation	Status
Economic environment There is a correlation between the economic conditions of the countries in which we operate and the level of client and candidate confidence, affecting the level of recruitment. Slowing economic growth could impact our ability to maintain and grow NFI, either through reduced requirements for temporary staff, by encouraging clients not to hire permanent staff or by encouraging clients to adopt cheaper delivery options. Implementing a negotiated Brexit agreement has increased the level of uncertainty and, therefore, risk as we enter the new financial year.	<ul style="list-style-type: none"> ➤ 30% of the Group's NFI is now generated in overseas territories, thereby reducing the risk of reliance on any one marketplace. ➤ Around 75% of the Group's NFI is generated from recurring contract business across a broad range of sectors and clients, leading to more stable business streams. ➤ We have a robust forecasting framework and a programme of regular reviews of outcome compared to forecast, providing us with early warning signals and enabling us to recalibrate as necessary. ➤ Our current presence within Europe is not significant. Restrictions on cross-border movement of labour would have limited impact. 	
Dependence on key clients Too great a dependence on one or a few clients may have a material adverse effect on the Group's cash flow should the client(s) cease to procure or pay for services in a timely manner.	<ul style="list-style-type: none"> ➤ The Group has over 2,000 fee paying clients, with the largest client only representing 9% of Group NFI. ➤ The Group continues to deliver its strategy to diversify its client base and the mix of its UK and international operations. ➤ The Group's public sector funded NFI is derived from many parts of the public sector, with few large concentrations of contractors working on single projects. Approximately three-quarters of this public sector funded NFI is generated with outsourced providers working on long-term contracts and ongoing infrastructure projects. 	
Shortage of skilled candidates The availability of highly skilled/quality candidates is essential to operating in niche/high margin markets; where a shortage of skilled resources exists within a market, increased competition can lead to lower margin business.	<ul style="list-style-type: none"> ➤ We differentiate from our competitors by focusing on niche sectors and offering customisable solutions on a global scale. Our consultants have a narrow and deep focus and build strong relationships with clients and candidates alike. This specialist offering allows us to charge the right prices for quality service. 	
Competitive environment The recruitment market is highly fragmented and competition is intense, placing pressure on margin and NFI. The increasing use of social media for recruitment purposes and a trend towards outsourced recruitment models can also impact. Further, the commercialisation of disruptive technology or innovation could materially alter the recruitment sector by challenging the viability of current business models and, therefore, the ability to sustain revenue and profits.	<ul style="list-style-type: none"> ➤ The Board and Executive regularly meet to discuss and define a clear vision of the geographies, sectors and skills we operate in. The Group undertakes a regular client framework review, seeking to ensure it minimises the risk of losing clients to competitors. ➤ The Group is focusing increasingly on exclusive arrangements and new solutions. ➤ Greater regulatory and compliance requirements in the recruitment industry are increasingly barriers to entry. ➤ The Board has established a Digital Advisory sub-Committee, which will consider the Company's response to the challenges and opportunities offered by digital transformation. 	

Key

Relative severity



Change during the year



Operational

Risk	Mitigation	Status
Talent acquisition and retention The Group's performance, operating results and future growth depend on its ability to attract, train, develop and retain high performing individuals to meet its growth strategy. Failure to attract and retain individuals with the right skill set may adversely affect the Group's performance.	<ul style="list-style-type: none"> ➤ The Group's remuneration policy sets out that the overall remuneration package should be sufficiently competitive to attract, retain and motivate Executives and senior staff with the commercial experience to deliver the Group's strategy. ➤ We operate a succession planning process and have in place talent identification and development programmes. ➤ The Group is placing a greater focus on engaging and developing talent, including through career development, training and performance management. 	
Systems and security Failure to ensure our technological infrastructure remains up to date, functional and secure could increase the risk of security breaches and attacks, an adverse effect on the Group's operations, and an inability of technology systems to support the business plan leading to a material impact on the Group's financial results, whilst a loss of confidential or competitive information can have an adverse impact on operations and the reputation of the Group.	<ul style="list-style-type: none"> ➤ The Group is undertaking a review of its technology systems to seek the most appropriate platforms for the coming years. We are carrying out a programme of enhancements to improve or replace business systems (including those that support customer relationship management, finance and HR), adopting modern technology platforms to ensure scalability and security. ➤ The Board has established a Digital Advisory sub-Committee, which will consider the Company's response to the challenges and opportunities offered by digital transformation. ➤ We continue to address our ongoing investment in cyber security. We take a comprehensive view of cyber security and, through the use of specialist security services, have regular penetration testing of security measures to review our resilience in light of the changes and threats we face. 	
Data processing/management The Group works with confidential, sensitive and personal data on a daily basis in multiple jurisdictions under a variety of laws and regulations. The introduction of the General Data Protection Regulation (GDPR) will necessitate changes to our collection and processing activities, and, whilst data protection principles remain largely unchanged, a serious data compliance failure could expose the Group to greater potential legal, financial, operational and reputational risk than previously.	<ul style="list-style-type: none"> ➤ Procedures for handling and storing sensitive, confidential and personal data are in place across the Group as part of its Data Protection and IT Systems Usage policies and information security processes and procedures. ➤ A project team is in place to ensure GDPR compliance. 	
Business continuity The loss of operating technology services from one site can lead to a loss of business continuity.	<ul style="list-style-type: none"> ➤ The Group's business continuity strategy includes a highly resilient infrastructure and connectivity. We are progressing with a programme to migrate all technology services to cloud-hosted solutions to remove the reliance on local office hardware. 	

Regulatory and legislative environment

Risk	Mitigation	Status
Legal and regulatory obligations Failure to comply with laws or regulations can lead to increasingly heavy fines/ penalties. The specialist recruitment industry is governed by increasing levels of regulation, which vary from country to country and market to market. This includes employment laws or regulations specific to specialist business sectors or temporary workers, which necessitate pre-employment checks and may increase the Group's exposure to risk.	<ul style="list-style-type: none"> ➤ The Group works closely with its in-house legal and compliance team, its financial and legal advisors and recruitment governing bodies, such as the Recruitment and Employment Confederation (REC) and the Association of Professional Staffing Companies (APSCo), to ensure it is up to date on all current and emerging legislative and regulatory changes to the markets in which we operate. 	
Tax Management The specialist recruitment industry operates within a complex tax environment, at times with multiple actors across potentially multiple jurisdictions, and with tax authorities taking an increasingly diligent and prescriptive approach to the application of tax rules relating to different classes of employees and workers (such as the application of IR35 rules in the UK), all of which may increase the Group's exposure to risk. A failure to comply with tax regulations can lead to increasingly heavy fines/ penalties.	<ul style="list-style-type: none"> ➤ The Board approved the Group's Tax Strategy in July 2017. ➤ The Audit Committee provides governance and oversight of the Group's tax risks ➤ The Group works closely with its in-house and external tax and legal advisors to ensure it is up-to-date on all current and emerging statutory and regulatory tax requirements. 	

Positive performance across the business

“
The increased use of customer data has seen a higher demand for skills in data science and analytics.
”

UK Engineering

In the UK, the picture was generally positive with results varying across contract and permanent, and in our industry verticals as major projects and initiatives close or come on line.

Our aerospace sector is growing as manufacturers invest in and restructure their businesses, buoying the market in the Airbus and Boeing supply chains. The automotive division was down 12% during the course of the year as car-makers and their suppliers delayed non-essential investment following the EU referendum. However, contract NFI increased by 12% as the demand for engineers remained high, with significant opportunities in the electric and alternative fuel vehicle sector. In our maritime sector, we were rebuilding after a number of projects completed leading to a 21% drop in NFI. That said, the sector is now growing in the UK, and with some major naval projects underway in Barrow and Glasgow, the outlook is more positive and we expect a return to growth this year. The next naval programme, Type31e frigate, will make use of other UK shipyards following recommendations made in the National Shipbuilding Strategy, and we are well placed to support this. In maritime leisure, the market was boosted by exports, resulting in large recruitment drives.

Infrastructure NFI was down 5% following changes within the market and in tax treatment of public sector contractors (IR35). Within the UK water sector the supply of civil, mechanical and electrical discipline specialists into the major UK capital delivery water frameworks saw us achieve 10% year-on-year NFI growth. This reflects a market boosted by AMP6, a five-year capital delivery programme where billions of pounds are invested into the UK water industry to maintain, improve and build upon the UK's current clean and wastewater infrastructure. Our rail business went backwards slightly on prior year

mainly due to external factors such as IR35 and market uncertainty which saw some projects delayed or put on hold. The core design disciplines in rail are where we have seen the biggest negative impact, although confidence within the sector is slowly returning. The buildings sector saw us heavily impacted by the market's response to Brexit and the snap general election. A combination of these issues and a lack in confidence from investors resulted in a 38% drop in performance from the team year on year. The market has now stabilised with help from Middle Eastern and Far Eastern investment and growth in the market is being forecast into 2018. Within the highways sector we saw a drop of 10% year on year in the public sector where the negative impacts of HMRC legislation changes were too big for the private sector to cover. However, the sector has responded and activity within our public sector clients is improving, alongside high private sector investment.

In our general engineering division, positive contract growth of 4% was offset by a weaker performance in permanent recruitment, and NFI reduced by 9%. However, demand for manufacturing skills on a temporary basis was consistently high particularly within the FMCG, consumer electronics and defence sectors. Energy was down 3%, but saw growth from transmission, distribution and renewable energy. Despite delays at Hinkley Point C we expect requirements to increase this year. The converging engineering technology market, where we supply software, electronics and automation specialists across our engineering sectors, was the stand-out performer, with 19% year-on-year NFI growth. This reflects both a buoyant market and the increasing shortage of these skills in the UK. The UK automotive technology market, in particular, offers exciting opportunities as the hybrid electrical, connected car and autonomous driving markets evolve. Our strong ties with the traditional engineering base is key to these openings.

Barclay Meade, our professional services brand, recruiting finance, procurement, sales and HR professionals, suffered a poor year with a year-on-year NFI decline of 21%. The second half of the financial year saw a much stronger performance from procurement, our largest department, and we continue to see high demand for procurement and sales professionals, particularly from our engineering clients.

Alderwood, which places trainers and assessors with training providers throughout the UK and the Middle East, suffered a 4% year-on-year NFI drop, but the implementation of the Apprenticeship Levy has led to the recent upturn in business levels.

UK Technology

In the UK, there continues to be a skills shortage for IT development staff as clients look to enhance their internal business processes and their online presence. In addition, the growth in fintech start-ups in London and the South East is fuelling the demand for both contract and permanent staff in the development market. Alongside the demand for development staff, organisations are now investing heavily in applications and software to gain a greater insight into their markets and customer profiles. This is resulting in increased demand for skills in areas such as data science and data analytics. The next stage in the progression of the use by our clients of data and algorithms will see the increased use of AI and robotics to drive process and cost efficiencies. We are therefore making early stage investments in this area in order to develop candidate pools with which to support our clients' growth in these newer technologies.

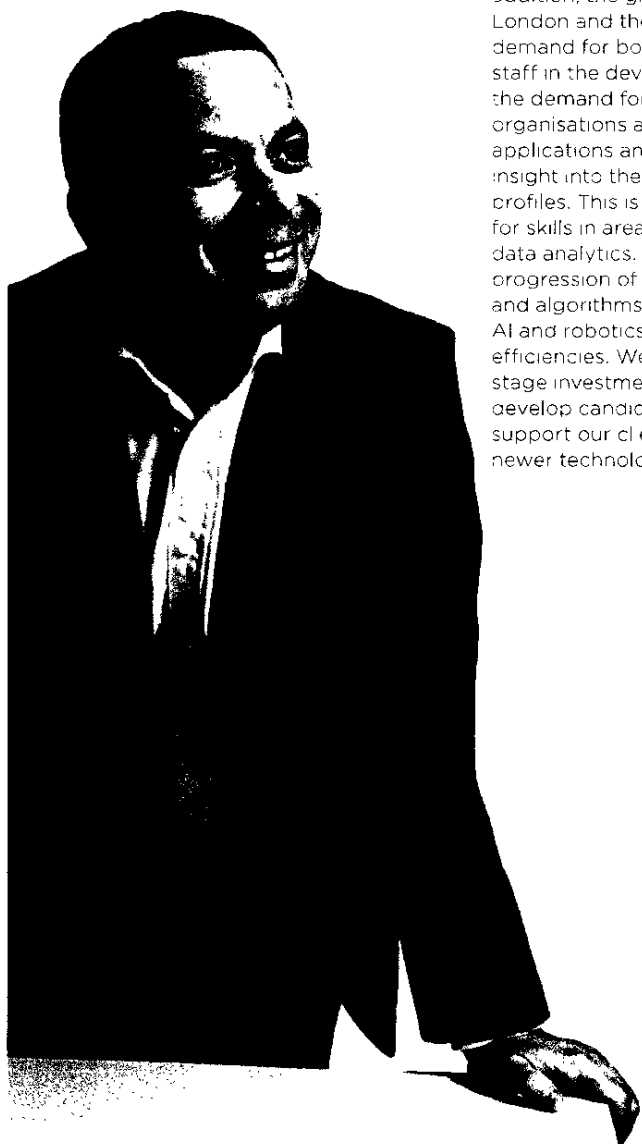
With the shift in strategy from a number of our telecoms clients to diversify their business away from their roots as traditional vendors, we are seeing increased demand in skills required to support the growth of the Internet of Things. There has also been a large number of start-up organisations developing products in this area and we are supporting these new clients by supplying not only relevant technology skills but also sales professionals to enable them to build their businesses. The area of technology sales is proving lucrative across our technology landscape and we are investing into this area to complement our technology service offering. Whilst this area is nascent, we are seeing encouraging initial results.

Since the introduction of changes in the treatment of taxes for contractors in the public sector in April 2017, we have seen a reduction in our public sector contractor numbers of 35%. To lessen the impact in this area, we have diversified into offering permanent resourcing in the public sector market, coupled with providing statement of work solutions to our client base.

With the move to more cloud-based ERP solutions, we are experiencing fewer large implementations of products such as Oracle and SAP, leading to a reduction in demand for contract staff. To counter this reduction, we have realigned our product offering with other areas within the cloud market including by focusing on senior architecture staff as well as specialising in providing resource in application markets such as Salesforce.

International

During the year we established a presence in Munich to take advantage of the opportunities we see in Germany. Bavaria is the centre of European engineering business, particularly for automotive and aerospace clients and their supply chains. In addition to these two sectors we are focusing on engineering technology and infrastructure for Matchtech. Networkers, meanwhile, is targeting cloud, security and ERP.



Performance Review continued

Networkers is now operating in Madrid where we are focusing on permanent and contract roles across bank technology, SAP and supporting the Unisys account. We have also invested in developing a Communications team focusing on cloud and security, and reinforcing our fintech vertical, working with four of the top 10 banks in Spain.

In the Americas, engineering grew by 38%, and in the USA saw growth of 96% year on year, serving a much more diversified client base within the construction and automotive sectors. The adoption of alternative energy sources in the USA shows no signs of relenting, and with power being our central offering, we will continue to see growth in this area. The oil and gas industry is gradually improving in the Americas, and the large multinationals are recruiting optimisation engineers to reduce the cost of production at existing sites. This is good for our targeted expansion in Houston and the wider Texas market. Infrastructure and construction projects are strong in the Dallas market. We expect the addition of a manufacturing division in the USA and a construction division in Mexico to have a significant impact in the coming year. We are noticing engineering technology convergence in the utilities industry as companies look to deploy low-latency telecoms networks internally.

Within technology, a shortage of software sales executives has led to a huge drive by technology companies to acquire the best. We have exclusive agreements with three such clients across the Americas. The telecoms business saw a considerable upswing in the second half of the year, driven by 4G densification efforts by the big four operators. We expect this to continue as operators prepare their networks for 5G deployment. Fintech continues to explode, and we are ideally positioned to take advantage of this with offices in Toronto and Mexico City, two of the three largest financial hubs in North America. In Latin America, huge 4G deployments and new market entrants are behind growth in the telco sector, and our global relationships with large vendors such as Huawei and Nokia have us well positioned to take advantage. Permanent recruitment in the USA was up 157% year on year, with permanent recruitment in IT in Mexico also rising.

In Asia, we grew engineering NFI 36% year on year. We invested heavily during 2017, specifically to take advantage of supplying specialist talent to large infrastructure projects in Asia Pacific, particularly Malaysia, both in upgrading rail and roads, and in new build projects. There were also key metro projects in Australia. We launched the Matchtech brand across China, and in addition to infrastructure growth, we secured key client wins in the automotive sector, with fast-growing companies producing high performance electric vehicles. We will continue to invest to support our growing client base, and having placed several strategic positions, we are focusing on securing more retained work at Board level. We also made investments in managerial talent and anticipate growth will come during 2018.

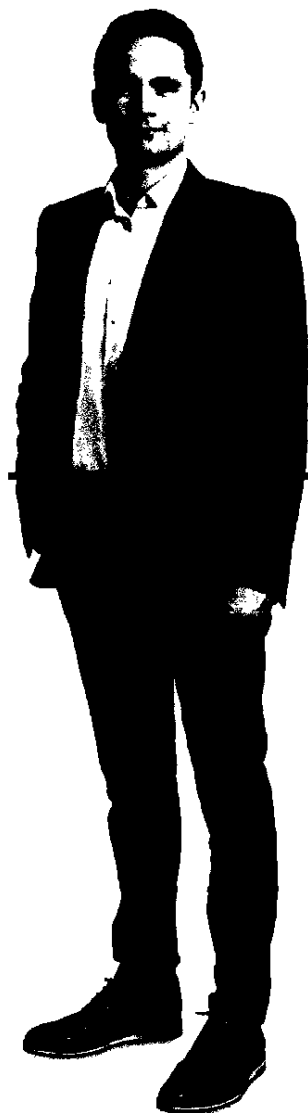
Africa had a challenging year with a drop in NFI of 24% with a poor political and economic situation. Our Infrastructure team has, however, shown solid growth, and the outlook is promising here as the continent generally is looking to develop infrastructure as the key to unlocking economic growth. Pressure from our bigger communications contracting clients reduced margins. However, the IT team has seen growth of 5% in NFI, with the key focus being on fintech, where we expect to benefit from regional market growth.

In the Middle East, our largest market is construction, much of it for Expo 2020 in Dubai. Rail is a growth market this year with the Doha Metro, with the Riyadh Metro to come and further potential opportunities in Oman and Kuwait. We are also expecting more work in stadia and infrastructure with the lead up to Qatar's FIFA World Cup 2022. In addition, more governments are planning renewable energy projects, and we also expect growth from the large nuclear plant being built in Abu Dhabi. We introduced cyber security and cloud services into Dubai and we expect these markets to grow in the region. We also introduced ERP, which is a big market in the Middle East.

The heart of our business

“
We support the business by providing training that will lead to success.
”

Paul Webb – London
Training Specialist



Our people strategy

The past year has been very much one of planning ahead to develop a people strategy for our expanding Group. We have been developing a new Employer Value Proposition (EVP) launching soon across the Group, starting in the UK. Our aim is to be the leading employer brand in our sector, judged by industry acknowledgement, award and recognition. We have been considering what the successful recruitment consultant of 2020 will look like and so are setting ourselves up in the coming years to attract them.

Creating a workforce for the future

The growth of the Group through acquisition and integration has signalled a new approach, recognising we need to support staff at all stages of their career. We have doubled our Learning and Development team and renamed it the Talent and Performance Development team. Our people development now starts before anyone even joins the business. This is followed by an induction plus – for sales staff – a five-day sales academy, which is the first step in their development journey with us. We support this with one-to-one coaching, at-desk support and bespoke training sessions based on the consultant's role. We have extended our training into our international offices, broadened our delivery of training to all levels of the business including sales and support staff, and implemented a number of new training initiatives to help realise the full potential of our employees.

Realising potential

We have increased average monthly training to 196 classroom training hours and have delivered 68 one-to-one sessions and 59 at-desk coaching hours on average each month. This represents a 136% increase from last year. Two major training programmes have been developed and implemented this year – the High Performers programme (providing tailored coaching delivered in workshop sessions and on a one-to-one basis) and the Rising Stars programme (bespoke training for staff who have been identified as future stars). Both received excellent feedback and provide not only an advanced sales training platform, but also a retention tool to reward and motivate staff. We have a 91% retention rate from the attendees on the High Performers programme and 65% of the Rising Stars delegates have since been promoted to Senior Consultant or Team Leader positions.

Career paths

As part of our work, we identified the need to develop and introduce Gattaca career paths. These give our staff a clearer understanding of how they can develop and progress with us. This followed feedback from our 2016 employee engagement survey, which showed that some respondents were unaware of career progression opportunities, while others felt we were not meeting their career development aspirations.

We have split the sales career path into three routes, with staff starting on the 'core' route, before choosing whether to take the 'management' or 'billing' route. Similarly, we have redesigned our career paths for our Group Support staff, who can choose to progress from the 'core' route either into management or into specialising by taking professional qualifications. We also have a career path into the various Gattaca Solutions offerings. Having such a variety of career paths enables us to encourage people to stay within the Group.

We are extremely proud that in the last 12 months we have reduced overall voluntary staff turnover from 27% to 21%, and from exit interview data we see a strong correlation with the career paths initiative, as fewer people are leaving for career progression.

Appraisals

We are reviewing our appraisal process to ensure we are making the most of the time our managers spend on a one-to-one with their team. This year our new competency frameworks, which identify promotional criteria for each job family, are great tools for managers and employees to focus their conversations more on the future and skills development than on the past. Alongside this, we have introduced 360-degree feedback for our managers, to provide impartial and anonymous information to help highlight areas for improvement.

Improving team communication skills

Another business challenge we have faced is the way we communicate as leaders and teams. We have invested in six people to enable them to become trainers and assessors for Strength Deployment Inventory training. This is essentially about improving personal and team strengths, and thinking about how we use them to address our business needs. It shows how to build relationships with each other to improve collaboration and effectiveness, and how to build relationships with candidates and clients to increase engagement with them. Collaborative relationships are the key to effective teams, which is what we want to build throughout the entire organisation.

Our People continued

“
The intranet is a great tool for sharing global stories across the business.
”

Jack Kirby – Dubai
Senior Recruitment
Consultant

Our culture and values

Our values reflect our ambition and shape who we are. But more importantly, they have been developed *by our people for our people* – the result of workshops we ran to determine our values. They underpin everything we do:

Be inspiring

Without ambition, we would not achieve anything. We strive to set an example in everything we do and aim to make a positive difference to everyone we work with.

Love your job

Working in recruitment, we know how important it is to find a job you love. We enjoy the work we do and have fun with the people we work with, including our colleagues, our candidates and our clients.

Take pride

We encourage each other to be the best we can be so we can continually improve the service we provide. By adopting a tenacious approach and being accountable for everything we do, we can have passion in our work and share in our successes.

In our staff survey, 79% of respondents said they would recommend us as an employer to friends and family. In fact, 94 new staff came through friends and family referrals in 2017, and 87 of those people are still with us.

Company-wide collaboration

Our company-wide intranet, Pulse, is an incredibly useful tool and asset to the business. Before launch we had separate intranets across the business and it was very difficult to share success consistently. Since Pulse's implementation, it has become very easy to capture and share key activities, news stories and successes across the business, from around all our locations. Our purpose is to engage our staff, delight our clients and promote our candidates. We use Pulse to highlight successes across the business; how an employee delivers an excellent service to delight a client or promote a candidate well. We share the 'how' and not just the 'what', so best practice is shared amongst employees and thus drives engagement with staff as they are positioned as thought leaders amongst their peers and receive recognition from the business.

Diversity

We are keen to support employees who start their own diversity initiatives in the workplace, or who introduce established initiatives from around the business world. Two of these are Lean In and Girls in Tech.

Lean In is a non-profit organisation and online community set up to help women achieve their ambitions, through networks called 'circles'. Lean In circles are small groups of professionals who meet regularly to share ideas. Lean In has been going for over five years, and now has 33,000 circles in 150 different countries. We now have one at Gattaca.

Networkers has teamed up with the Dallas chapter of Girls in Tech, a global non-profit organisation that engages, educates and empowers girls and women who are interested on technology. As women are under-represented in almost every technology field, we are partnering with Girls in Tech to try to address this issue and raise the profile of gender diversity in technology.

Improved collaboration through our new intranet

Part of the work we are doing to establish common IT systems across the Group has also seen major investment in our new intranet, Pulse, which launched in March 2017. Pulse is not only a fundamental business communication tool, it also helps stimulate collaboration through sharing ideas and successes.

During the year, as we developed Pulse, we recruited 'Intranet Champions' from around the Company, including our international offices and main support functions, responsible for building their own content areas within Pulse. The intranet project team supported them, while ensuring consistency across the site. The homepage covers overall Group news, while local news areas capture the latest stories in each region. We have seen excellent take-up everywhere with 96% of staff logging in during the first month. These statistics have remained consistently high since.



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

Our approach to doing business underpins our ability to achieve our Group strategy, and creates value over the long term. We operate responsibly, and consider the impact on the people around us when making decisions. This approach is an essential part of how we attract, engage and retain our workforce, and build long-lasting relationships with our clients, candidates and local communities. There are four pillars to our sustainability strategy: workforce, community, environment and marketplace.

Workforce

Engaging with our employees is fundamental to our Group's purpose. In 2017, using the results of our employee engagement survey, we started the first phase towards launching our EVP. We have called this the Gattaca Deal, and it represents both the value our employees bring to the Group and the value they will get in return. We have identified the core pillars of our value proposition and have committed to continually develop them, involving employees across all grades and tenures. We are launching it to our employees in 2017 and are passionate about it being owned by the staff so they feel they can make their mark on Gattaca. We identified that managers are key to an engaged and high performing workforce and to the success of the Gattaca Deal, and so we have been investing in our management development.

We are keen to encourage a culture of personal development, supporting employees in achieving their career aims within the Group. This is important to us, and so developing people's careers is a fundamental part of our talent management strategy.

Finally, the safety of each individual is paramount. We have revised our Crisis and Incident Management framework and enhanced our processes to ensure a more collaborative approach where people share their experiences of safety issues. We have successfully achieved a reassessment of OHSAS 18001:2007.

Community

By tradition, we encourage employees to engage with their local communities. Each of our brands has a Corporate Social Responsibility (CSR) committee that supports community projects chosen by employees. In 2017, we raised £24,000 for our chosen charities. Examples include:

- › a team of 109 staff entering the London JP Morgan Chase run;
- › celebrating 10 years of our partnership with Friends of PICU, which supports the Paediatric Intensive Care Unit at Southampton General Hospital. We are

very proud to have helped to raise over £150k to support critically ill local children and their families; and

- › in South Africa we recognise the need for assisting our local communities, helping the vulnerable, differently abled and those from a previously disadvantaged background. We paid for six bursaries for previously disadvantaged candidates.

Environment

We are continually managing to reduce our environmental impact and, during 2017, have updated the lighting and boilers in our UK offices with the aim of reducing our energy use by as much as 30%. In addition, we successfully achieved the relocation of our London office and upgrades to our furniture, with no landfill used for redundant furniture and fixtures.

We have successfully had our Environmental Management System reassessed to achieve ISO 14001:2015. We review our environmental objectives periodically, for effectiveness. We continue to target CO₂ emission reductions through our Company Car policy, and also make improvements in technology to support effective virtual meetings.

Marketplace

As a business we have always had a keen focus on long-term client relationships, which has led to innovation and an expansion of skills, services and geographies. We have invested in an enlarged client solutions and business development function in the last 24 months, to enable us to better understand client goals, what support they require and how they seek to acquire this. In addition, we have conducted research to understand the client market in order to build out our key service offerings. The results of this have influenced our market objectives.

This year we conducted a study with our candidates about what they would like from a recruitment website and had an outstanding response. We then used this research to build new innovative websites that attract both active and passive candidates. We have done this through utilising AI technology similar to that used by Amazon to help personalise a user's experience on our site, as well as a robust content marketing strategy to attract passive candidates through specialist news and projects in their sector.

We continue to innovate digitally and are currently building new microsites, enabling us to promote featured projects, clients and campaigns. This addresses candidate feedback requesting more information regarding opportunities and supports our marketing campaigns to attract and engage potential candidates.

“
We are keen to encourage a culture of personal development, supporting employees in achieving their career aims within the Group.
”

Jennie Mead
HR Director

Chief Financial Officer's Report

Investing in global support systems and services

“
We have begun a process to improve rigour and focus in our approach.
”

Salar Farzad
Chief Financial Officer

Performance

Revenue of £642.4m (2016: £617.6m) generated NFI of £74.7m (2016: £73.0m). We achieved contract NFI of £56.4m (2016: £53.9m) at a margin of 9.0% (2016: 9.0%), and permanent recruitment fees were £18.3m (2016: £19.1m).

Gross margins were 11.6% (2016: 11.8%), the slight decline being due to the higher mix of contract NFI compared with last year (2017: 76%:24%, 2016: 74%:26% reported basis).

Profit from operations of £12.7m was down 16% (2016: £15.1m). Finance income was less than £0.1m (2016: £1.0m); the reduction was primarily due to significant Sterling exchange rate fluctuations in 2016, immediately after the EU referendum in June 2016, not being seen in 2017. Finance expenses were £1.2m (2016: £1.1m) driven by the comparative level of average debt each year. Combined, these led to a decrease in profit before tax of 24%, to £11.5m (2016: £15.1m).

On an underlying basis, excluding both £1.6m (2016: £2.4m) of non-recurring costs and £3.1m (2016: £3.7m) of amortisation of acquired intangibles and excluding discontinued operations from 2016 results, profit from operations was down 19% to £17.4m (2016: £21.4m). On the same basis, after deduction of £1.2m net finance costs (2016: £nil), adjusted profit before tax was £16.2m (2016: £20.4m).

Statutory profit after tax of £7.3m (2016: £9.9m) was down 26%.

Excluding amortisation of intangibles, non-recurring items and the impact of acquisitions and discontinued businesses, administrative expenses were £54.7m (2016: £50.8m). Of the £3.9m increase, £1.6m was due to the impact of currency translation on our international cost base, with weaker Sterling exchange rates seen in FY17 compared with the prior year. The remaining £2.3m of this additional spending represented a conscious decision by the Board to invest in our people and infrastructure, despite a difficult trading environment. Our international sales staff costs rose by £1.3m, as we invested heavily to capitalise on the opportunities we see globally. £0.6m related to our new and expanded London office – increasing our access to the London consultant and candidate pools – while we invested the remainder in client solutions, contractor support and HR capability.

During the year, we continued to invest in our systems, to reduce costs and operate on a truly global platform. We launched new accounting and HR systems and, over the next two years, we will be addressing other major areas, especially for the front and middle office.

Conversion ratio

The ratio of profit from operations before amortisation of acquired intangibles and non-recurring costs to gross profit for the year was 23% (2016: 29%). Although this ratio is already very high compared with our peer group, over the long term, as our international operations become more established and we return to higher rates of UK NFI growth, we expect this ratio to improve.

Taxation

The Group's effective tax rate increased from 34.2% to 36.1%, chiefly owing to overseas withholding taxes. These taxes are usually charged based on revenue (billings) rather than gross margin (billings less contractor costs). Consequently the local country tax charge may not be sufficient to allow an offset.

We recover withholding taxes which cannot be offset against local corporation tax, through higher gross margins charged to clients, to ensure the underlying overall transactions are commercially positive. While we are implementing certain structural changes to improve our offset ability, under our current operating model, the effective tax rate is likely to remain high due to withholding taxes.

Withholding tax which we were not able to offset against other taxes amounted to £2.0m in the year (2016: £1.1m).

The adjustments to the tax charge for previous periods, of £0.1m (2016: £nil), includes the impact of changing our accounting method for withholding tax from a cash to an accruals basis, which provides better matching of inflows and outflows.

The changes in UK tax rates of £(0.4)m (2016: £nil), reducing the tax charge, are a result of applying the reduced UK corporation tax rates from 1 April 2017 to our deferred tax liabilities in the balance sheet.

The effective tax rate excluding adjustments in respect of prior periods is 39% (2016: 34.2%).

While we are implementing certain structural changes to improve our offset ability, under our current operating model, the effective tax rate is likely to remain high due to withholding taxes.

Synergies

Of the £3.1m synergies from the Networkers International acquisition (made in April 2015) previously identified, £2.9m has now been crystallised, with a further £0.2m to be crystallised in 2018. In addition, we will be looking at further opportunities to improve efficiency, some of which will depend on the systems improvements noted above.

We have started the integration of the back-office functions of RSL, which we expect to complete in Q3 2018, yielding overall annual savings of around £0.5m.

Segmental reporting

We have updated our segmental reporting to reflect the way we manage the business: UK Engineering, UK Technology, and International. Our Engineering and Technology business heads contribute to our international growth and management through a matrix structure.

Acquisition of RSL

In February 2017, we announced that our wholly-owned subsidiary Matchtech Group (Holdings) Limited acquired 70% of RSL's issued share capital for £7.4m. The remaining 30% is subject to a put and call option, exercisable from 12 months after completion, for 5.0x trailing EBITA at that time. The maximum total consideration payable is £15.0m. All consideration is payable in cash, funded from the Group's existing resources.

This acquisition has increased our skill base in rail and broadened our client base in this area, especially in the UK regions.

Earnings per share

Basic earnings per share was 23.4 pence (2016: 32.1 pence), and on a fully diluted basis, was 22.7 pence (2016: 31.0 pence). This was primarily due to lower profits after tax.

Dividends paid/proposed

The Board is recommending, subject to shareholder approval, a final dividend for the year ended July 2017 of 17.0 pence per share, to be paid on 19 January 2018. The total dividend for the year is maintained at 23.0 pence per share.

Tangible and intangible assets

Capital expenditure in the year, including tangible assets and software, was £1.5m (2016: £0.9m). Tangible assets at 31 July 2017 of £2.5m (2016: £1.1m), consist of the Group's motor fleet, office equipment, leasehold improvements and computer equipment. Of this amount, £1.0m relates to revised building dilapidation provisions

(which increases both fixed assets and provisions within the balance sheet). Intangible assets (largely goodwill arising on acquisition) at 31 July 2017 were £51.8m (2016: £48.4m).

Net assets and shares in issue

At 31 July 2017, the Group had net assets of £84.7m (2016: £81.6m) and had 31.8m fully paid ordinary shares in issue (2016: 31.2m).

Cash flow

Cash generated from operations at £12.4m was £7.4m lower than the prior year (2016: £19.8m). Profit after tax adjusted for non-cash items was £4.0m lower than prior year.

Trade receivables increased by £3.8m. Debtor days of the combined Group at the year end were 55 days (£1 July 2016: 50 days). Reasons for the increase include timing issues with a major client, which caused a half day increase in DSO. This is now resolved and not expected to recur. In addition, RSL has historically operated with a higher DSO than the rest of the business. The Gattaca payment terms will be the standard for new RSL clients and the integration of the Finance function will also aid improvement in that proportion of collections. We are also seeking improvements in our US business. DSO has improved since July 2017 and this area remains a key focus for the business.

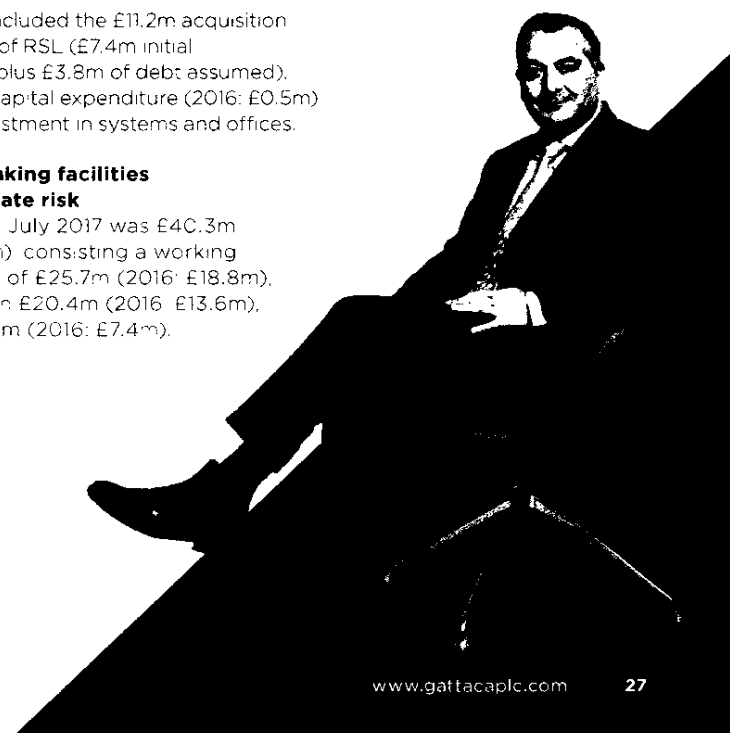
Trade and other payables decreased by £1.2m as a result of lower accruals for commissions and bonuses and for contractor payments.

Uses of cash included the £11.2m acquisition (2016: £0.4m) of RSL (£7.4m initial consideration plus £3.8m of debt assumed), and £1.0m of capital expenditure (2016: £0.5m) relating to investment in systems and offices.

Net debt, banking facilities and interest rate risk

Net debt at 31 July 2017 was £40.3m (2016: £25.0m) consisting a working capital facility of £25.7m (2016: £18.8m), bank term loan £20.4m (2016: £13.6m), less cash £5.8m (2016: £7.4m).

Salar Farzad
Chief Financial Officer



Chief Financial Officer's Report continued

Our financing facilities include two covenants: Interest Cover and Adjusted Leverage. We are comfortable with our ability to service our debt and meet our covenants and we monitor projections for covenant ratios as part of our routine monthly reporting.

The Group has facilities with HSBC of £105m, consisting of a £75m working capital financing facility and a £30m bank term loan, both committed until October 2020.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loan and sales financing facility debt obligations. Bank interest is charged on a floating rate basis.

Support services

To support the operational changes being made, we have begun a process to improve rigour and focus in our approach to project management, business reviews and management information, to provide better clarity and accountability. We are demanding more of ourselves in quality, relevance and timeliness of deliverables to central management and the business units, and we are focused on doing fewer things to a higher standard to improve execution of core initiatives.

During 2018, we intend to place more emphasis on forward-looking information and business support, as well as identifying opportunities for further streamlining, standardisation and consolidation of transactional support functions.

We will achieve some of the areas for improvement through better alignment of roles and responsibilities as well as culture, while other areas will require systems enhancements over the medium term.

Brexit

The Board continues to follow developments on Brexit with interest. To a certain extent, a reduction in free movement of skilled labour would probably lead to an increase in the demand for Gattaca's services, as UK employers would find it more difficult to find the skill sets they require. However, where the skillsets are in extremely short supply, restrictions on free movement of skilled labour could affect our ability to source candidates. The effect of Brexit 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 18.

Critical accounting policies

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

Group financial risk management

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

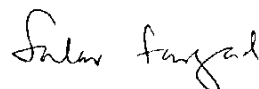
Credit risk

The Group trades only with recognised, creditworthy third parties. We monitor receivable balances on an ongoing basis, with the result that the Board feels the exposure to bad debt is not significant. There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 4% (2016: 4%) of total receivables balances at 31 July 2017.

Foreign currency risk

The Group generates around 30% of its annualised NFI in overseas markets including overseas revenue generated from the UK. 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, entering into forward exchange contracts to minimise the gap in assets and liabilities denominated in foreign currencies, and regularly exchanging surplus foreign currency to minimise the gap in assets and liabilities denominated in foreign currency.



Salar Farzad
Chief Financial Officer

Committed to a culture of good governance

Dear shareholders,

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

We believe that effective corporate governance is integral to the successful delivery of our business goals. How we work is just as important as what we do. We believe Gattaca has developed a governance framework which is meaningful, relevant and focused on our business.

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

Enhancing our overall governance framework remains a key objective as we continue to evolve into an integrated Group with substantial operations both in the UK and internationally.

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

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

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

The Board holds regular formal meetings in which the performance and direction of the business against plans are reviewed.

Senior management are regularly invited to present, where they are able to discuss their opportunities and challenges with Board members.

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

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



Patrick Shanley
Non-Executive Chairman
9 November 2017

“

We believe that effective corporate governance is integral to the successful delivery of our business goals. How we work is just as important as what we do.

”



Board of Directors

The right mix of skills and experience

1 Patrick Shanley
Non-Executive Chairman

Appointment
December 2015

Skills and experience
Patrick has extensive boardroom experience and is currently Chairman of chemicals business, Accsys Technologies. Patrick has previously been CFO of Courtaulds plc and Acordis BV, CEO of Corsadi BV, Chairman of Cordenka Investments BV and of Finacor BV. Patrick began his career working for British Coal where he qualified as a chartered management accountant. He has a strong operational, restructuring, merger and acquisition background within a manufacturing environment.

2 Brian Wilkinson
Chief Executive Officer

Appointment
December 2013

Skills and experience
Brian has worked in the recruitment industry for over 35 years, including roles as an executive Board member of Vedior NV and Randstad Holdings NV, the world's second largest recruitment company. He has extensive experience of international strategic development, including mergers and acquisitions, and extensive experience of professional services recruitment. In 2015 Brian received a Lifetime Achievement Award from the Institute of Recruitment Professionals and in 2016, he was inducted into the Recruitment International Hall of Fame, acknowledging his contribution to the industry during his career.

3 Salar Farzad
Chief Financial Officer

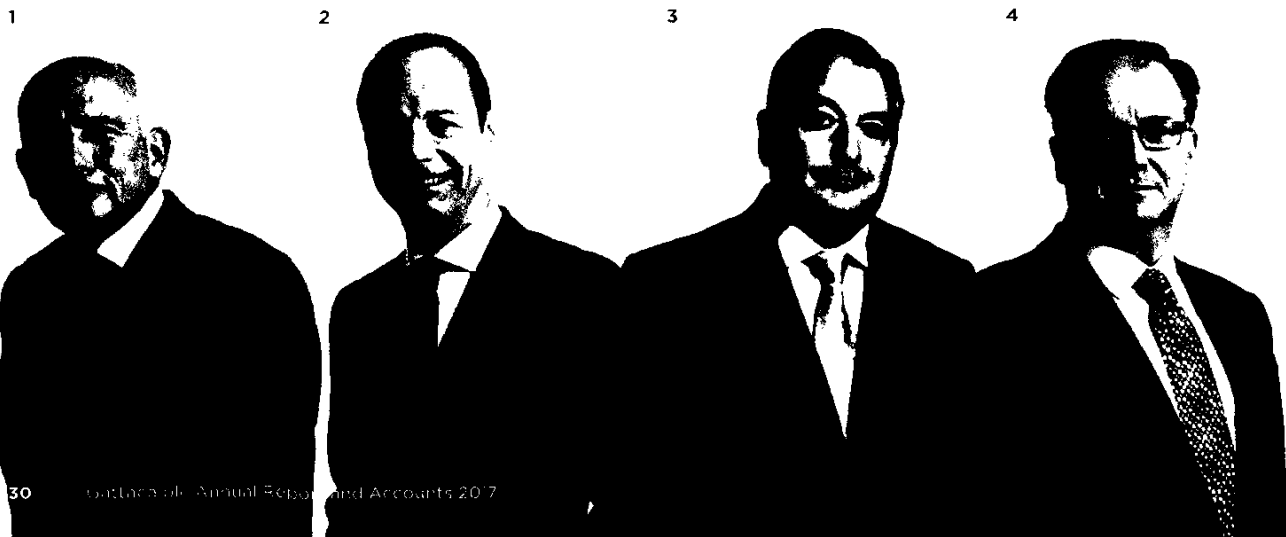
Appointment
June 2017

Skills and experience
Salar joined the Company from Zodiac Media, a television production company where he was Group Chief Financial Officer from 2014 to 2016. Prior to this, Salar held senior financial roles at Macmillan Science and Education, 2Entertain, MTV Networks International and EMI. He qualified as an ACA with PricewaterhouseCoopers.

4 Keith Lewis
Chief Operating Officer

Appointment
Group: July 1993
Board: September 2012

Skills and experience
Keith has worked within the recruitment industry for nearly 30 years and joined the business in 1993 as a senior consultant, before progressing to his current position. Keith is a fellow of the Institute of Recruitment Professionals and is also on the steering committee for the Engineering and Technical sector at the Recruitment and Employment Confederation (REC).



5 George Materna

Non-Executive Deputy Chairman

Appointment

July 1984

Skills and experience

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

6 Ric Piper

Senior Non-Executive Director

Appointment

July 2006

Skills and experience

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

7 Richard Bradford

Non-Executive Director

Appointment

August 2011

Skills and experience

Richard has a background in solutions and service businesses. He was Chief Executive of AIM listed Carlisle Group from 1997 to 2008, up to and including the merger to create Impellam Group, and subsequently worked with private equity businesses. He is currently Chief Executive Officer of InHealth Group, the UK's leading private provider of healthcare diagnostic tests and services.

8 Mark Mamone

Non-Executive Director

Appointment

December 2016

Skills and experience

Mark joined the Board in December 2016 and brings with him over 30 years of experience within the IT industry. Mark has held senior roles in a variety of organisations, including British Telecommunications, Computer Science Corporation and BAE Systems. He is the Divisional IT Director for Serco UK & Europe. Mark's experience and knowledge in the innovative use of technology and digital transformation will build upon Gattaca's existing digital marketing strategy.

9 Roger Goodman

Non-Executive Director

Appointment

April 2015

Skills and experience

Roger is the former Chairman of Networkers International plc and Apogee Corporation. He is also a Non-Executive Director of another private company and Director/Treasurer of the World Federation of Building Service Contractors. He was previously an Executive Director of Mitie Group plc, from which he retired in 2012, and a Director of Asset Skills, one of the Sector Skills Councils.

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Directors' Report

Principal activities and business review

Gattaca plc is the ultimate holding company of a group of companies.

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

A list of principal subsidiary undertakings, and the countries in which they operate, is disclosed in Note 14 to the Financial Statements. Details on the use of financial instruments and financial risk management are included in Note 23 to the Financial Statements and are also incorporated into this report by reference.

Directors

The Directors who served during the period up to the date of this report and their biographical details are set out on pages 30 and 31. Directors' interests in shares and share options of the Company are shown in the Directors' Remuneration Report.

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

In line with the requirements of the UK Corporate Governance Code 2014, certain elements of which the Company has voluntarily chosen to comply with, all other Directors will retire at the AGM and, being eligible, will offer themselves for re-election.

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

Directors and Officers of the Company and its subsidiaries benefit from Directors' and Officers' liability insurance cover in respect of legal actions brought against them. In addition, Directors of the Company are indemnified in accordance with Article 170 of the Company's Articles of Association to the maximum extent permitted by law. Neither the insurance nor the indemnities provide cover where the relevant Director or Officer has acted fraudulently or dishonestly.

The Board may exercise all the powers of the Company, subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of the shareholders. Specific powers are detailed in the Company's Articles of Association, including the power to issue and buy back shares, along with the rules for the appointment and removal of Directors.

Directors' conflicts of interest

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

Articles of Association

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

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

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

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

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

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

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

Corporate governance

The Corporate Governance Statement is incorporated into this report by reference.

Substantial shareholders

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

Shareholder	%
George Materna	24.8
Octopus Investments Limited	6.4
Paul Raine	5.7
Chelverton Asset Management	5.5
Hargreave Hale	4.8

Corporate responsibility

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

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

Bribery

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

Environment

The Group remains committed to operating in an environmentally responsible manner, and is accredited to the environmental standard ISO 14001:2015. The Directors consider the impact on the environment in making decisions.

The community, including charitable and political donations

The Group is committed to providing support to the community through a number of charitable activities.

During the year the Group made charitable donations of £24,000 (2016: £23,000).

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

The Group made no donations for political purposes either in the UK or overseas during the year (2016: £nil).

Employees

The Board recognises that the Group's employees are vitally important to the continued success of the business.

Employees are encouraged to develop their careers, including through training.

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

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

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

The Group has a culture that encourages share participation at all levels. At 31 July 2017, approximately 30% of the Company's share capital is held by Directors, senior management and other employees.

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

The LTIP cascades through the organisation, with approximately 30% of staff eligible to participate. The SIP is open to all staff.

Policy on the payment of creditors

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

Directors' Report continued

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

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

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

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

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

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

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

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

Health and safety

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

Quality

The Group is ISO 9001:2015 accredited. As one of the UK's leading specialist recruitment agencies, the Group is dedicated to quality and professionalism in the pursuit of achieving customer satisfaction and commercial goals.

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

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

Business continuity

The Group has a robust business continuity strategy and has built a highly resilient infrastructure to allow the business to continue operations whilst recovering from any major disasters or incidents. The plan covers the Group as a whole, including all subsidiaries, and covers how we would keep our critical systems and processes running to ensure continuity of service, including crucially the payment of workers engaged on our clients' sites.

Disclosure of audit information

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

Going concern

The Directors consider that the Group has adequate financial resources to continue operating for the next 12 months and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements.

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

The process followed by the Group in the preparation of the Viability Statement is set out below.

Viability statement

In accordance with the provisions of the UK Corporate Governance Code 2014, the Directors have assessed the long-term prospects of the Group based upon business plans and cash flow projections for the three-year period ending 31 July 2020.

The Directors considered that a three-year period is appropriate for this assessment because it enables a good level of confidence due to a number of factors, including:

- (i) the Group's considerable financial resources, including the high cash generation of its operations;
- (ii) the inherent unlikelihood of all or even most of the identified potential principal risks materialising simultaneously;
- (iii) the length of major operating contracts; and
- (iv) the Group's diverse geographical operations plus its established business relationships with many customers and suppliers throughout the world.

In forming their opinion the Directors have performed a robust assessment of the principal risks and uncertainties facing the Group as set out on pages 18 and 19. In addition, Note 24 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Directors believe that the Group has a strong balance sheet and considerable financial resources and accordingly they remain confident of the Group's long-term growth prospects, based on a diverse range of clients and suppliers across different geographical locations and sectors.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

Based upon the robust assessment of the principal risks and uncertainties facing the Group and the stress-testing-based assessment of the Group's prospects, the Directors have no reason to believe that the Group will not be viable over a longer period. However, given the inherent uncertainty involved in looking at longer time frames, the period over which the Directors consider it possible to form a reasonable expectation as to the Group's longer-term viability is three years.

Audit exemption

For the year ended 31 July 2017, Gattaca plc has provided a legal guarantee under s479C of the Companies Act 2006 to the following companies

- › Matchtech Group (UK) Limited
- › Barclay Meade Limited
- › Connection Technology Limited
- › Application Services Limited
- › Alderwood Education Limited
- › Matchtech Group (Holdings) Limited
- › Gattaca Solutions Limited
- › Networkers International Limited
- › Networkers International (UK) Limited
- › Capco International Limited
- › The Comms Group Limited
- › Comms Resources Limited
- › Capco Group Limited

The guarantee is dated 8 November 2017 and all the above entities have 31 July year ends.

Auditors

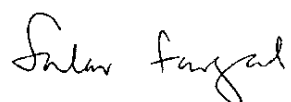
The Board has decided to propose the reappointment of KPMG LLP as auditor and a resolution concerning its reappointment will be proposed at the forthcoming AGM.

Registered office

1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire PO15 7AF.

Registered number: 04426322

Approved by the Board and signed on its behalf by



Salar Farzad

Chief Financial Officer
9 November 2017

Cautionary statement

Under the Companies Acts 2006, a Company's Directors' Report is required, among other matters, to contain a fair review by the Directors of the Group's business through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year end, consistent with the size and complexity of the business.

The Directors' Report set out above, including the Chairman's Statement, the Chief Executive Officer's Review and the Chief Financial Officer's Report incorporated into it by reference, has been prepared only for the shareholders of the Company as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, the Directors' Report has not been audited or otherwise independently verified. The Company and its Directors and employees are not responsible for any other purpose or use or to any other person in relation to the Directors' Report.

The Directors' Report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These factors include, but are not limited to, those discussed under principal risks and uncertainties.

Corporate Governance Statement

Leadership

The role of the Board

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

Divisions of responsibilities of the Chairman and the Chief Executive Officer

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

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

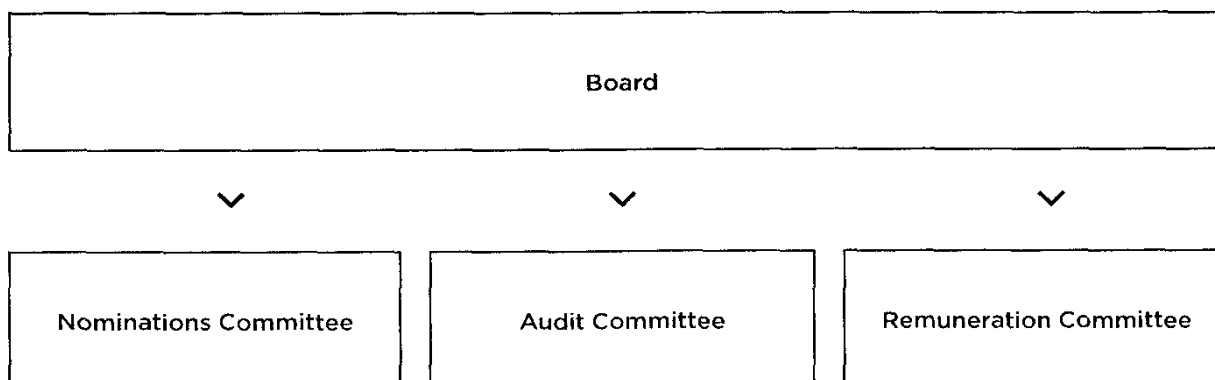
The Chief Executive Officer is directly responsible for all executive management matters affecting the Group. His principal responsibility is to ensure the achievement of the agreed strategic objectives and leadership of the business on a day-to-day basis. He is accountable to the Board for the financial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

Matters reserved for the Board

Matters reserved for the Board include:

- › approval of interim, preliminary and final financial statements, including approval of the interim dividend and recommendation of the final dividend;
- › approval of investor presentations, all circulars to shareholders and press releases concerning matters decided by the Board;
- › approval of any significant change in accounting policies or practices;
- › consideration of proposals from the Audit Committee on recommendations for appointment or removal of independent auditors and their remuneration;
- › approval of the Group's commercial strategy and annual operating and capital expenditure budget;
- › changes relating to the Group's capital structure or its status as a plc;
- › appointments to the plc Board and the Boards of subsidiaries, including the appointment or removal of the Company Secretary;
- › consideration of proposals from the Remuneration Committee on the terms and conditions of Board members, Executive Directors and senior management;
- › changes to the Group's management and control structure, including membership of the Executive Committee;
- › consideration of material contracts of the Group in the ordinary course of business that would affect current banking arrangements;
- › formulation of policy regarding charitable and political donations;
- › approval of significant prosecution, defence or settlement of litigation;
- › oversight of internal control arrangements;
- › ensuring the Group has an adequate business continuity policy; and
- › oversight of the Group's health and safety policy.

Board structure



Attendance at meetings

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

	Maximum meetings	Meetings attended
Patrick Shanley	9	9
Brian Wilkinson	9	9
Tony Dyer ¹	7	7
Keith Lewis	9	9
George Materna	9	7
Ric Piper	9	9
Rudi Kindts ²	9	8
Richard Bradford	9	7
Roger Goodman	9	9
Mark Mamone ³	7	6
Salar Farzad ⁴	1	1

Notes

- 1 Resigned from the Board 9 June 2017.
- 2 Resigned from the Board 31 July 2017.
- 3 Appointed to the Board 7 December 2016.
- 4 Appointed to the Board 9 June 2017.

Role of the Non-Executive Directors

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

Copies of the letters of appointment will be available for inspection prior to and during the AGM, and are also available for inspection at the Group's registered office during normal business hours. The remuneration of the Chairman and the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association, including reviewing the level of fees paid by comparator companies.

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

Committees of the Board

The Board has three established committees for audit, nominations and remuneration. Since year end, the Board has established a Digital Advisory sub-Committee to consider the Company's response to the challenges and opportunities offered by digital transformation. The committees have Terms of Reference which are reviewed at least biannually by the Board, and revised as deemed necessary and appropriate. The Terms of Reference of all committees were reviewed during the 12 months prior to the date of this report. Copies of the Terms of Reference are available on the Group's website (www.gattacaplc.com) or on request from the Company Secretary.

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

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

Role of the Company Secretary

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

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

Corporate Governance Statement continued

Effectiveness

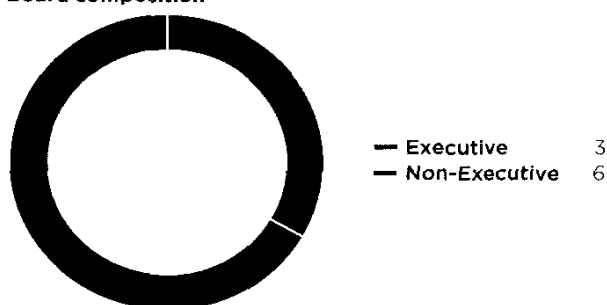
Composition and independence of the Board

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

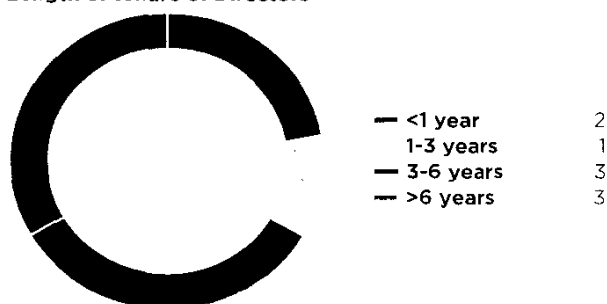
At the date of this report the Board has six Non-Executive Directors including the Chairman. The Board considers the independence of the Non-Executive Directors annually against the criteria set out in the UK Corporate Governance Code with each being determined as independent of management having no business or other relationship that could interfere materially with the exercise of their judgement.

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

Board composition



Length of tenure of Directors



Board diversity

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

Further information is given in the Nominations Committee's Report on page 44.

Re-election of Directors

Under the Company's Articles of Association all Directors must retire at the first AGM following their appointment and may offer themselves for election or re-election by shareholders.

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

Conflicts of interest

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

Board evaluation

The Board is committed to ensuring its effectiveness.

During the year, the Chairman undertook Board effectiveness discussions with the Executive Directors and with the Non-Executive Directors. The CEO attended part of the latter discussion.

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

The Chairman undertook performance assessments with each Director during the year.

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

Corporate policies

The Board has a range of policies for the Group to comply with which it constantly monitors, including policies on Share Dealing; the Bribery Act 2010; Modern Slavery; Whistleblowing; Corporate Social Responsibility; Equal Opportunities; Health and Safety; and the Environment.

Indemnification of Directors

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

Internal control

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

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

Financial reporting

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

Independent external audit

Information is provided in the Audit Committee's Report on pages 40 to 43.

Relations with shareholders

The Board regards effective communication with shareholders as crucial.

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

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

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

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

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

Audit Committee Report



“
The Committee works to a planned programme of activities which are focused on key events in the annual financial reporting cycle.
”

Ric Piper
Chairman of the Audit Committee

I am pleased to present the Audit Committee's (the Committee) Annual Report on its activities for the year ended 31 July 2017. This report is intended to explain how the Committee has met its responsibilities throughout the year and what it has done to address continued regulatory change.

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

As Chairman of the Committee, I will be available at the AGM to respond to any questions shareholders may raise on any of the Committee's activities.

Aims and objectives

The Committee monitors the integrity of the interim and annual Financial Statements and formal announcements relating to the Group's financial performance, including advising the Board that the Annual Report taken as a whole is fair, balanced and understandable.

It reviews significant financial reporting issues and accounting policies and disclosures in financial reports, reviews the effectiveness of the Group's internal control procedures and risk management systems and considers how the Group's internal audit requirements shall be satisfied, making recommendations to the Board.

It reviews the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and Interim Financial Statements.

Membership of the Committee

The Committee currently comprises Ric Piper (a member and Chairman since 2006), Roger Goodman and Mark Mamone, who both joined the Committee in February 2017.

Richard Bradford, who became a member in March 2015, stepped down in February 2017 to join the Remuneration Committee, becoming its Chairman in July 2017. The Committee thanks Richard for his contribution throughout his two years.

Ric Piper qualified as a Chartered Accountant in 1977 and is a current member of the Financial Reporting Review Panel. The Board considers him to have recent and relevant financial experience.

The Board considers that the Committee as a whole has competence relevant to the sector in which the Group operates.

Meetings and attendance

The Committee met five times during the year.

	Maximum meetings	Meetings attended
Ric Piper	5	5
Richard Bradford	3	3
Roger Goodman	2	0
Mark Mamone	2	2

The Executive Directors are routinely invited to Committee meetings, with the Chairman of the Board attending the meetings at which the Interim and Annual results are reviewed.

During the year, the Committee met privately with the independent auditor. The Committee Chairman also met privately with the senior statutory auditor (Steve Masters) outside of the Committee meetings.

Operation of the Committee

The Committee's Terms of Reference were last reviewed and updated in June 2016 to conform to best practice and approved by the Board. No significant changes were deemed necessary, save that the minimum membership of the Committee was increased from two to three. As noted above, an additional member was appointed by the Board in February 2017. The Terms of Reference are available on the Group's website (www.gattacaplc.com), as well as in hard copy format from the Company Secretary.

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

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

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

- Financial Statements: the Committee reviewed the Interim and Annual Reports. Presentations were made by management and the auditor about the key technical and judgemental matters relevant to the Financial Statements.
- Going concern, including the Viability Statement: the Group continues to prepare its Financial Statements on a going concern basis, as set out in Note 1 to the Financial Statements on page 75. Management produces working capital forecasts on a regular basis, together with half-yearly covenant forecasts. The forecasts are reviewed by the Board, particularly ahead of the publication of Interim and Annual results. Having reviewed the forecasts as at the date of this report, the Committee concluded that it was appropriate for the Group to continue to prepare its Financial Statements on a going concern basis and to publish the Viability Statement on pages 34 and 35.
- Taxation: the Group operates under multiple and varied tax regimes. The completeness and valuation of provisions to cover the range of potential final determinations by the tax authorities of the Group's

tax positions are the subject of judgement. Further information is set out in Notes 1xii, 9 and 15 to the Financial Statements. The provisions held by the Group were reviewed by management as at 31 July 2017. The Committee agreed with management's assessment of the Group's tax provisions. The Committee reviewed the Group's Tax Strategy which, following approval by the Board, we are working towards publishing no later than July 2018.

- Fair, balanced and understandable: the content and disclosures made in the Annual Report are subject to a verification exercise by management to ensure that no statement is misleading in the form and context in which it is included, no material facts are omitted which may make any statement of fact or opinion misleading, and implications which might be reasonably drawn from the statement are true. The Committee was satisfied that it was appropriate for the Board to approve the Financial Statements and that the Annual Report taken as a whole is fair, balanced and understandable such that it allows shareholders to assess the Group's performance against the Group's strategy and business model.
- Internal financial control systems: the Committee reviewed the recommendations made by the independent auditor and management's responses and actions. The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the Corporate Governance Statement.
- Internal audit: during the year, the Group undertook a number of internal audit reviews, both of financial and operational activities. As part of the Committee's policy, certain specialist internal audit work was undertaken by external organisations. Further to the acquisition of Networkers in April 2015, the Committee and the Board considered and continue to consider how best to deploy internal audit across a Group which has significantly extended its operations from a single site in Whiteley, Hampshire to a business with substantial operations in London and in 10 international locations. As the Group further develops its global compliance and risk management frameworks (see 'Risk management and control' on page 17) during 2017/18, the portfolio of internal audit reviews will expand beyond the current and continuing financial and operational reviews. We will continue to use specialist external organisations as necessary, including for the Group's international operations.

The Chairman of the Committee reported to the Board on the Committee's activities after each meeting, identifying relevant matters requiring communication to the Board and recommendations on the steps to be taken.

Corporate Governance Statement continued

Significant issues

The Committee reviewed the key judgements applied to a number of significant issues in the preparation of the Financial Statements. The review included consideration of the following.

Issue	How the Committee addressed it
Revenue recognition and recoverability of accounts receivables	<p>The Group has well developed accounting policies for revenue recognition – see Note 1 to the Financial Statements.</p> <p>The Committee receives reports from management and from the independent auditors to ensure that the policies are complied with across the Group.</p> <p>The Board receives regular reports on the collectability of aged accounts receivables.</p> <p>On the basis of these reports, the Committee concluded that it was content with the judgements that had been made.</p>
Goodwill and intangibles: assessment for impairment	<p>As set out in Notes 1 (parts ix and xxii) and 11 to the Financial Statements, following the acquisition of Networkers in April 2015, the Group has significant goodwill and amortised intangibles.</p> <p>The acquisition of Resourcing Solutions Limited on 2 February 2017 further increased the Group's goodwill and amortised intangibles; information is set out in Note 11 to the Financial Statements.</p> <p>Goodwill and intangibles impairment calculations (including assumptions about future performance) and sensitivities are undertaken at least annually by management and reviewed by the Board and the Committee.</p> <p>Based on the calculations as at 31 July 2017, the Committee agreed with management's recommendation that no impairment charge should be made.</p>

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

Shareholders' attention is drawn to the section titled 'Respective responsibilities' in the Report from the Independent Auditor on page 69, about specific areas as reported by the Independent Auditor in order to provide its opinion on the Financial Statements as a whole.

Independent auditor: reappointment and audit tender policy

The appointment of the independent external auditor is approved by shareholders annually. The Independent Auditor's audit of the Financial Statements is conducted in accordance with International Standards on Auditing (UK and Ireland) (ISAs), issued by the Auditing Practices Board.

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

Steve Masters became the Company's senior statutory auditor for the year ended 31 July 2016.

There are no contractual obligations that act to restrict the Committee's choice of external auditor. In December 2016, the Board proposed, and shareholders approved, the appointment of KPMG LLP as the Company's registered independent public accounting firm for the financial year ended 31 July 2017.

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

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

Independent auditor: services, independence and fees

The independent auditor provides the following services:

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

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

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

Further, the Committee seeks positive evidence of the independence of the independent auditor through its challenge to management.

The Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in Note 3 to the Financial Statements of the non-audit fees of £209,000 (2016: £45,000), 96% (2016: 100%) arise from tax compliance services.

The Committee concluded that the level of non-audit fees, which represent 38% (2016: 18%) of the audit fees for the Group, did not have a negative impact on KPMG's independence.

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

The Committee regulates the appointment of former employees of the independent auditor to positions in the Group. The independent external auditor also operates procedures designed to safeguard its objectivity and independence. These include the periodic rotation of the senior statutory auditor (as noted above, the partner rotated at the conclusion of the AGM in December 2015), use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff.

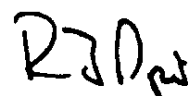
The independent external auditor reports to the Committee on matters including independence and non-audit work on an annual basis.

Evaluation of the Committee

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

Approval

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



Ric Piper

Chairman of the Audit Committee
9 November 2017

Nominations Committee Report



“

Focus for this year has been to ensure the structure and experience of the Board is suited to meet the opportunities and challenges facing the Group going forward.

”

George Materna

Chairman of the Nominations Committee

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

The Committee's focus for this year has been to ensure the structure and experience of the Board is suited to meet the opportunities and challenges facing the Group going forward.

As announced on 9 June 2017, Tony Dyer stepped down as Chief Financial Officer and Board member. On behalf of the Board I would like to thank Tony for his contribution to the Group over the 21 years he has been with us.

On 9 June 2017, Salar Farzad joined the Group, as Chief Financial Officer and Board member, offering a wealth of very relevant experience and providing the Board with a fresh perspective. He will play a key role in helping the Group grow and we very much look forward to working with him.

Mark Mamone was appointed to the Board as a Non-Executive Director on 1 December 2016, bringing with him real technology and digitalisation experience.

On 31 July 2017, Rudi Kindts stepped down from the Board and we thank him for his intelligent contribution to the business over the seven years he served as a Non-Executive Director, as Chairman of the Remuneration Committee and also as a member of the Nominations Committee.

We wish both Tony and Rudi well in the future.

The Inzito Partnership was again engaged to provide independent search advice.

The Committee continues to review succession planning and Board composition.

Aims and objectives

The aims and objectives of the Committee are set out in the Committee's full Terms of Reference which can be found in the Corporate Governance section on the Company's website, www.gattacaplc.com.

In summary, the role of the Committee is to:

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

Composition

During the year the Committee comprised its Chairman, George Materna (member since 2006), and Rudi Kindts (member since 2013) and Richard Bradford (member since 2013), both Independent Non-Executive Directors.

With effect from 31 July 2017, Rudi Kindts resigned as a Director of the Company and member of the Nominations Committee and the Remuneration Committee. He has been replaced on the Nominations Committee by Patrick Shanley, Chairman of the Board.

Meetings and attendance

The Committee met two times during the year.

	Maximum meetings	Meetings attended
George Materna	2	2
Rudi Kindts	2	2
Richard Bradford	2	2

Nominations Committee activities

The key activities during the year have been in approving changes to the Board and its Committees.

Having identified the requirement to have on the Board a Non-Executive Director with technology and digitisation experience, Mark Mamone was appointed to the Board on 1 December 2016.

On 9 June 2016, Tony Dyer resigned from the post of Chief Financial Officer and member of the Board and on 9 June, Salar Farzad was appointed to the role as Group Chief Financial Officer and member of the Board.

The Committee undertook an extensive selection process to find suitable candidates for these roles, taking into account the Board's Diversity Policy, and a formal recruitment exercise was commissioned with an independent executive search firm, The Inzito Partnership, which has no other connection with the Company.

With effect from 31 July 2017, Rudi Kindts resigned as a Director of the Company and member of the Nominations Committee and the Remuneration Committee.

Succession planning

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

Diversity policy

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

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

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

Information and training

All Directors have access to the advice and services of Caspar Branson, the Group General Counsel and Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is an agreed procedure for Directors to obtain independent professional advice, paid for by the Group.



George Materna

Chairman of the Nominations Committee
9 November 2017

Remuneration Committee Report

Remuneration Committee



“
We remain committed to incentivising people in accordance with growth performance.
”

Richard Bradford
Chairman of the
Remuneration Committee

On behalf of the Board, I am pleased to present the Remuneration Committee's (the Committee) report for the year ended 31 July 2017, my first since becoming the Committee's Chairman on 1 July 2017.

This is the first full year of the new remuneration strategy for the Executive Directors and senior staff since changes were introduced on 1 August 2016. The Directors' remuneration policy ('Policy') is set out below and has been designed on the principles of a straightforward structure that will support and motivate our Executive Directors to further the Group's long-term strategic objectives, including the creation of sustainable shareholder returns.

We remain committed to our strategy of being the leading specialist engineering and technology recruitment group. The main objective of the Committee is to ensure that the Company's Policy:

- › attracts, motivates and retains Executives in order to deliver the Group's strategic goals and business outputs;
- › encourages and supports a high performance sales and service culture,
- › adheres to the principles of good corporate governance and appropriate risk management, and
- › aligns Executives with the interests of shareholders and other key stakeholders.

During 2017 the Committee's main focus was to roll out the new Policy, ensuring effective communication to the senior staff on the aims and measurements of the new policy.

We value the views of our shareholders and guidance issued by investor bodies and remuneration consultants. In 2016 we sought opinion on a proposed revised LTIP scheme. This LTIP scheme was subsequently approved at the AGM unanimously on a show of hands and by 99.98% by proxy votes.

Business context and remuneration outcomes for 2017

The Group issued a Trading Update during the year which showed overall results (excluding the acquisition impact of Resourcing Solutions Limited) with NP1 2% lower and profit before tax 28% lower than prior year.

As a result, and confirmed by the audited Financial Statements, no annual bonuses were paid to Executive Directors during the year.

We remain committed to a remuneration policy that rewards high individual performance to drive improved results.

In the next year, the orientation of annual bonuses is strongly geared towards year on year growth as this is our primary goal at this stage of the Company's evolution.

2017 AGM

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

This report will be put forward to shareholders on an advisory basis at our AGM on 6 December 2017.

We are committed to hearing, and taking active interest in, your views as shareholders. If you want to discuss any further aspect of our remuneration strategy I would welcome your views, at Richard.Bradford2@gattacapl.com.

Finally, we wish to thank Rudi Kindts, who retired from the Board in July 2017, for his time chairing the Remuneration Committee, and shaping the Remuneration Policy approved last year.

On behalf of the Committee and Board,

Richard Bradford
Chairman of the Remuneration Committee
9 November 2017

Directors' Remuneration Policy

This section of the report contains details of the Policy that will govern the Company's future remuneration payments and that took effect from 1 August 2016. The Policy was approved on an advisory basis with 99.98% votes in favour at the AGM on 7 December 2016. The Policy has been repeated in this year's report for ease of reference; the chart in section 2 has been updated for the latest financial information. The Committee has established the Policy on the remuneration of the Executive Directors and the Chairman. The Board has established the Policy on the remuneration of the other Non-Executive Directors. Awards granted under the previous Directors' remuneration policy will be honoured.

1. Executive Director remuneration policy

Executive Directors' remuneration policy table

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Base salary			
To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.	<p>Salaries are reviewed annually, and any changes normally take effect from 1 August.</p> <p>When determining the salary of the Executives, the Committee takes into consideration:</p> <ul style="list-style-type: none"> › the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity; › the performance of the Group in the financial year just ended; › the performance of the individual Executive Director; › the individual Executive Director's experience and responsibilities; › any pay conditions (such as pay hold) made at the start of the financial year just ended; and › pay and conditions throughout the Group, including the level of salary increases awarded to other employees. 	<p>Annual percentage increases are generally consistent with the range awarded across the Group.</p> <p>Percentage increases in salary above this level may be made in certain circumstances, such as (but not limited to) a change in responsibility or a significant increase in the role's scale or the Group's size and complexity.</p> <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases, subsequent increases in salary may be higher than the average until the target positioning is achieved.</p>	<p>A broad assessment of individual and business performance is used as part of the salary review.</p> <p>No recovery provisions apply.</p>
Benefits			
To provide competitive benefits and to attract and retain high calibre employees.	<p>Reviewed periodically to ensure benefits remain market competitive.</p> <p>Benefits currently include:</p> <ul style="list-style-type: none"> › proactive health plan, › car benefit, and › insured benefit schemes. <p>Other benefits may be provided from time to time.</p>	<p>Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits. The Group conducts regular brokering exercises to ensure premiums remain competitive.</p>	<p>No performance or recovery provisions applicable.</p>

Remuneration Committee Report continued

1. Executive Director remuneration policy continued

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Pension			
To provide a competitive company contribution that enables effective retirement planning.	Pension is provided by way of a contribution to a personal pension scheme or cash allowance in lieu of pension benefits.	The maximum contribution to a company or personal pension scheme or cash in lieu is equal to 10% of salary.	No performance or recovery provisions applicable.
Annual bonus			
Incentivises achievement of annual objectives which support the Group's short-term performance goals.	<p>Bonus awards are granted annually following the signing of the Report and Accounts.</p> <p>Performance period is one financial year with pay-out determined by the Committee following the year end, based on achievement against a range of performance measures.</p> <p>Malus and clawback provisions apply at the discretion of the Committee in exceptional circumstances.</p>	<p>Maximum awards under the annual bonus are equal to 120% of salary.</p> <p>Any bonus payable above 100% of salary will be deferred into shares for a two-year vesting period.</p>	<p>Performance targets will be set by the Committee annually based on a range of financial measures.</p> <p>It is intended that two financial performance measures will be used for the annual bonus awards, being (i) PBT and (ii) NFI.</p> <p>Other non-financial measures may be introduced where these are appropriate but will not exceed 25% of the maximum bonus.</p> <p>The Committee has the discretion to:</p> <ul style="list-style-type: none"> ➤ adjust targets or performance measures for any exceptional events that may occur during the year; and ➤ make downward or upward movements to the amount of bonus earned resulting from the application of the performance measures, if the Committee believes that the bonus outcomes are not a fair and accurate reflection of business performance. <p>As well as determining the measures and targets, the Committee will also determine the weighting of the various measures to ensure that they support the business strategy and objectives for the relevant year.</p>

1. Executive Director remuneration policy continued

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
LTIP			
The long-term incentive plan (LTIP) incentivises Executives to achieve superior returns to shareholders over a three-year period, to retain key individuals and align their interests with shareholders.	<p>Under the LTIP, the Committee may award annual grants of performance share awards in the form of nil cost options or conditional shares (LTIP awards) on an annual basis.</p> <p>LTIP awards under the plan will vest after a three-year performance period subject to the achievement of the performance measures.</p> <p>There will be a two-year holding period for any vested awards (net of any income tax and national insurance contributions paid on exercise) after the three-year vesting period for awards granted to the Executive Directors.</p> <p>Malus and clawback provisions apply at the discretion of Committee in exceptional circumstances.</p>	Maximum LTIP awards are equal to 150% of base salary.	<p>Awards vest based on performance against challenging targets, aligned with the delivery of the Group's long-term strategy.</p> <p>Adjusted earnings per share (EPS) and relative total shareholder return (TSR) measures will determine the vesting of awards granted in any year (50% weighting for each measure).</p> <p>Targets are typically structured as a challenging sliding scale, with no more than 25% of the maximum award vesting for achieving the threshold performance level, through to full vesting for substantial out-performance of the threshold.</p> <p>The Committee has the discretion to:</p> <ul style="list-style-type: none"> ➤ adjust targets or performance measures for any exceptional events that may occur during the vesting period; and ➤ make downward or upward movements in the vesting of the LTIP resulting from the application of the performance measures if the Committee believes that the outcomes are not a fair and accurate reflection of business performance. <p>The Committee will review performance measures annually, in terms of the range of targets, the measures themselves and weightings applied to each element of the LTIP.</p> <p>The Committee will typically use the three-month period prior to the grant date to measure TSR performance. Any revisions to the metrics and/or weightings will only take place if it is necessary as a result of developments in the Group's strategy.</p>
All-employee incentives			
Encourage all employees to become shareholders.	<p>Eligible employees may participate in the share incentive plan.</p> <p>Executive Directors will be entitled to participate on the same terms.</p>	Maximum participation levels for all staff, including Executive Directors, are set by relevant UK legislation or other relevant legislation.	Not applicable.

Remuneration Committee Report continued

1. Executive Director remuneration policy continued

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Share ownership guidelines			
To ensure that Executive Directors' interests are aligned with those of shareholders over a longer time horizon.	The Executive Directors are encouraged to build or maintain (as relevant) a minimum shareholding in the Company. Shares included in this calculation are those held beneficially by the Executive Director and their spouse/life partner.	The shareholding ownership guideline is 200% of salary for Executive Directors.	Not applicable.

The Committee believes that the remuneration structure in place will support and motivate our Executive Directors to deliver the Group's long-term strategic objectives, including the creation of sustainable shareholder returns. Furthermore, the Committee is satisfied that the composition and structure of the remuneration package is appropriate and does not incentivise undue risk-taking or reward underperformance.

Discretion within the Directors' remuneration policy

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

Legacy awards

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

Performance measures and targets

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

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

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

2. Illustrations of application of remuneration policy

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



Fixed remuneration Annual variable remuneration Long-term variable remuneration

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

Element	Minimum	Target	Maximum
Fixed elements	Base salary at 1 August 2017. Pension 10% of salary and estimated value of benefits provided under the policy.		
Annual bonus	Nil	66.7% of maximum	100% of maximum
LTIP	Nil	62.5% of maximum	100% of maximum

Notes

No allowance has been made for share price appreciation in line with the Regulations.

On-target LTIP represents the mid-point of the vesting scale where 25% vests for threshold performance and 100% vests for maximum.

Participation in the SIP has been excluded given the relative size of the opportunity levels.

Remuneration Committee Report continued

3. Approach to recruitment and promotions

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

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

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

The Committee does not have an automatic policy to buy out subsisting incentives granted by an Executive's previous employer and which would be forfeited on cessation.

However, should the Committee determine that it is appropriate to do so, the Committee may consider buying out incentive awards which an individual would forfeit upon leaving their employer although any compensation would, where possible, be consistent with respect to currency (i.e. cash for cash, equity for equity), vesting periods (i.e. there would be no acceleration of payments), expected values and the use of performance targets. The Committee may grant up to the same expected values where possible under the Company's incentive plans, subject to the annual limits under these plans. It does, however, retain the discretion to provide the expected value under specific arrangements in relation to the recruitment of the particular individual.

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

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

Service contracts

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

Director	Date of contract
Brian Wilkinson	18 September 2013
Salar Farzad	7 June 2017
Keith Lewis	20 October 2010

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

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

Payments for loss of office

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

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

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

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

Cessation of employment	Change of control
Annual bonus	
<ul style="list-style-type: none"> Where a participant's employment is terminated after the end of a performance year but before the payment is made, the participant will remain eligible for a bonus award for that performance year subject to an assessment of the performance targets over the period. Where an award is made, the payment may be delivered fully in cash. No award will be made in these circumstances in the event of gross misconduct. If the participant is a good leaver during the performance year, a bonus will normally be paid in cash at the end of the year pro-rated for length of service and the achievement of performance targets measured over the full year. Any unvested deferred share bonus awards will vest on the normal vesting date. The Committee has the discretion to determine that a bonus award may be paid in cash at the date of cessation and/or that the deferred share bonus awards will vest early, and/or in exceptional circumstances whether to pro-rate the award for time served as an employee. A 'good leaver' is defined as a participant ceasing to be in employment by reason of death, ill-health, injury, disability, redundancy, retirement, the company employing the participant ceasing to be a member of the Group, the participant's employing business being sold out of the Group or at the Committee's discretion. Anyone who is not a good leaver will be a bad leaver. For a bad leaver, there will be no cash bonus pay-out for the year in which they leave and any unvested deferred share bonus awards will lapse. 	<ul style="list-style-type: none"> The participant will receive the annual bonus in cash immediately prior to the date of the change of control. The level of cash payment will be determined by the Committee at its discretion by reference to the time elapsed from the start of the performance year to the change of control date and the performance levels achieved as at the date of the change of control (where applicable). The Committee has the discretion to determine, in exceptional circumstances, whether to pro-rate the award for time served as an employee. Any unvested deferred bonus shares will also vest immediately prior to a change of control. In the event of an internal corporate reorganisation, the Committee may decide (with the consent of the acquiring company) to replace unvested deferred awards with equivalent new awards over shares in the acquiring company.
LTIP	
<ul style="list-style-type: none"> For good leavers, unvested awards will vest on the normal vesting date subject to (i) the extent any applicable performance targets have been satisfied at the end of the normal performance period and (ii) pro-rating to reflect the period of time between grant and cessation of employment as a proportion of the vesting period that has elapsed. In exceptional circumstances, the Committee has the discretion to determine that the end of the performance period is the date of cessation and whether to pro-rate the number of vested awards to reflect the vesting period completed. A 'good leaver' is defined as a participant ceasing to be in employment by reason of death, ill-health, injury, disability, redundancy, retirement, the company employing the participant ceasing to be a member of the Group, the participant's employing business being sold out of the Group or at the Committee's discretion. Anyone who is not a good leaver will be a bad leaver. Bad leavers will forfeit all unvested awards. 	<ul style="list-style-type: none"> Unvested awards will vest early subject to (i) the extent that any applicable performance targets have been satisfied at that time and (ii) pro-rating to reflect the reduced period of time between grant and early vesting as a proportion of the vesting period that has elapsed. At the Committee's discretion, the Committee may consider whether to disapply pro-rating for time and performance. In the event of an internal corporate reorganisation, the Committee may decide to replace unvested awards with equivalent new awards over shares in the acquiring company.

Remuneration Committee Report continued

5. Non-Executive Director remuneration policy and letters of appointment

Remuneration policy table

The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is determined by the Committee and recommended to the Board.

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

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

Letters of appointment

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

Director	Letter of appointment date
Patrick Shanley	12 October 2015
Mark Mamone	6 October 2016
George Materna	30 November 2016
Ric Piper	30 November 2016
Richard Bradford	30 November 2016
Roger Goodman	30 November 2016

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

6. Consideration of employee remuneration and shareholders

Consideration of shareholder views

The Committee has an open relationship with shareholders. It welcomes dialogue and engages with significant shareholders on material changes to its remuneration policy or structure. The Committee is committed to consulting with the Company's largest shareholders and should the Committee decide to seek future changes to the Policy will ensure that it allows time to discuss and consult with these shareholders.

All-employee remuneration

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

The Group operates a range of bonus plans appropriate to its various businesses. The main drivers of these plans, similar to the Executive Directors' arrangements, are profit and sales. The Company also provides long-term incentive awards to certain employees. For all employees, the Company operates a tax efficient share incentive plan (SIP) in the UK. The SIP gives employees the opportunity to purchase shares up to an annual limit with the Company providing additional matching shares for every employee share purchased.

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

2017 Annual Report on Remuneration

This 2017 Annual Report on Remuneration contains details of how the Company's Policy for Directors was implemented during the financial year ended 31 July 2017.

1. Executive Director remuneration

Single figure remuneration table (Audited information)

The remuneration of Executive Directors, showing the breakdown between components with comparative figures for the prior financial year, is shown below:

		Base salary £'000	Taxable benefits ³ £'000	Bonus ⁴ £'000	Long-term incentives ⁵ £'000	Pension £'000	Total £'000
Brian Wilkinson	2017	300	16	-	59	30	405
(Chief Executive Officer)	2016	300	15	90	88	30	523
Keith Lewis	2017	200	15	-	39	26	280
(Chief Operating Officer)	2016	190	14	57	87	19	367
Tony Dyer ¹	2017	299	13	-	-	17	329
(Chief Financial Officer)	2016	164	14	62	87	16	343
Salar Farzad ²	2017	31	2	30	-	3	66
(Chief Financial Officer)	2016	-	-	-	-	-	-

Notes

1 Tony Dyer resigned 9 June 2017. Base salary includes a payment of £109,000 in lieu of notice.

2 Salar Farzad was appointed 9 June 2017.

3 Taxable benefits comprise car benefits and private medical insurance.

4 Salar Farzad was paid a £30,000 bonus under the terms of his appointment.

5 See details on long-term incentive values below. The 2016 comparatives have been restated using the share price at the date of vesting at 295 pence.

Remuneration Committee Report continued

1. Executive Director remuneration continued

Annual bonus outcomes for the financial year ending 31 July 2017 (Audited information)

For 2017, the Executive Directors' maximum bonus opportunity was 120% of salary. The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director.

Performance measure	Weighting (% of maximum bonus opportunity)	Threshold performance target (0% of performance measure maximum opportunity earned)	Target level of performance	Maximum performance target (100% of performance measure maximum opportunity earned)	Actual performance outcome	% of performance measure maximum opportunity earned
Profit before tax (PBT)	75%	£21.0m	£21.5m	£23.6m	£15.5m	0%
Net fee income (NFI)	25%	£73.1m	£78.0m	£83.0m	£71.3m	0%

The performance measure and actual performance outcome exclude any results from Resourcing Solutions Limited, which was acquired during the year.

With the exception of a £30,000 bonus paid to Salar Farzad on his appointment as CFO in June 2017, no bonuses were paid to Executive Directors as expected, given the Group's trading performance in the year.

Long-term incentives vesting for performance related to financial year ending July 2017

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

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

As reported in prior Annual Reports, shares in the form of nil cost options were granted to the Executive Directors following the achievement of the annual hurdle at the second and third measurement dates. The annual hurdle was not achieved at the fifth measurement date and no further shares were granted.

As no further shares were accrued at the fifth measurement date (where performance is tested relating to the FYE 31 July 2016), no value is shown for the VCP in the single figure remuneration table for 2016 and 2017.

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

Financial year	Measurement date	Threshold price	Measurement price	Value created under the VCP at measurement £'000
2012	1st – 16 November 2012	£2.62	£2.54	–
2013	2nd – 15 November 2013	£3.14	£5.84	4,991
2014	3rd – 13 November 2014	£3.77	£6.15	580
2015	4th – 28 November 2015	£4.52	£6.10	–
2016	5th – 2 December 2016	£5.42	£2.92	–

In December 2016 nil cost options were granted to the following Executive Directors under the VCP: Brian Wilkinson 7,450, Tony Dyer 38,444 and Keith Lewis 38,444. These options were exercised on the date of grant.

1. Executive Director remuneration continued

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

Audited information

Director	VCP units	Percentage of total units available under the plan	Number of shares granted (nil cost options)
Brian Wilkinson	144,000	14.4%	14,900
Tony Dyer ²	145,000	14.5%	146,571
Keith Lewis	145,000	14.5%	146,571

Notes

- 1 Brian Wilkinson joined the VCP scheme at the start of the 2014 financial year.
2 Resigned 9 June 2017.

In accordance with the rules of the plan, 50% of the shares were granted to the Executive Directors in December 2016 with the balance due in December 2017.

(ii) LTIP: awards were granted on 30 January 2015 and are due to be released on 30 January 2018. These awards were granted subject to the achievement of certain EPS targets which were measured over three financial years ending 31 July 2017. The table below summarises these awards.

	Number of nil cost options granted	Performance measures	Performance targets	Performance outcome	Number of awards vesting	Value of awards shown in the single figure table for 2017
Brian Wilkinson	18,884	100% EPS underpin	Note 1	100%	18,884	£59,000
Keith Lewis	12,361	100% EPS underpin	Note 1	100%	12,361	£39,000

Notes

- 1 At 7% p.a. + RPI, 33% vests. At 14% p.a. + RPI 100% vests.
2 The value of the awards will not be known until 30 January 2018, therefore in line with the Regulations, we have used the average price over the last quarter of the 2017 financial year, equal to 313.9 pence. We will restate the value of the awards in the 2018 Directors' Remuneration Report.

In accordance with the LTIP rules the Committee decided to allow the early vesting of 26,919 nil cost options awarded to Tony Dyer; his remaining options lapsed.

Defined benefit pension

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

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

A payment of £109,000 in lieu of notice was paid to Tony Dyer.

3. Implementation of remuneration policy for the Executive Directors for 2018

Fixed remuneration: the Committee has determined that no salary increase will be applied to the current Executive Director salary levels for 2018. Benefits and pensions will be provided in line with policy.

Annual bonus: the maximum bonus will be 120% of salary for each Executive Director. For the 2018 financial year, performance measures will be based on PBT and NFI targets. The Committee is of the opinion that the precise performance targets for the annual bonus are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the start of the financial year. Actual targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess them.

LTIP awards: details of the LTIP awards to be made, under the LTIP, after the 2017 AGM are provided below.

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

Remuneration Committee Report continued

3. Implementation of remuneration policy for the Executive Directors for 2018 continued

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

Measure	Performance period	Performance target (pence per share per annum)	Vesting (% of award)
Growth in adjusted earnings per share ¹ (50% award weighting)	Three financial years ending 31 July 2020	Less than 6% 6% to 15%	0% 25% to 100%
Relative TSR versus peer group of recruitment companies (50% award weighting) ²	Three years from the date of grant	Below median peer group return From peer group median to +9%	0% 25% to 100%

Notes

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

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

4. Non-Executive Director remuneration (Audited information)

Single figure remuneration table

The remuneration of Non-Executive Directors showing the breakdown between components, with comparative figures for the prior year, is shown below:

Director		Fees £'000	Pension £'000	Total £'000
Patrick Shanley	2017	100	-	100
	2016	67	-	67
George Materna	2017	52	-	52
	2016	51	-	51
Ric Piper ¹	2017	57	1	58
	2016	99	1	100
Richard Bradford	2017	46	-	46
	2016	46	-	46
Rudi Kindts ²	2017	51	-	51
	2016	45	-	45
Roger Goodman	2017	46	-	46
	2016	46	-	46
Mark Mamone ³	2017	31	-	31

Notes

- 1 2016 fees include role as Interim Chairman
2 Resigned 31 July 2017.
3 Appointed 7 December 2016.

Fees to be provided in 2018 to the Non-Executive Directors

The Board has determined that no increase will be applied to the current Non-Executive fee in 2018.

Fee component	2018 £'000	2017 £'000	% change
Chairman fee	100	100	-
Non-Executive Director base fee	46	46	-
Senior Independent Director fee	5	5	-
Committee Chairman fee (Audit and Remuneration Committees)	5	5	-
Committee member fee (Audit and Remuneration Committees)	-	-	-

5. Directors' shareholding and share interests

Shareholding and other interests at 31 July 2017 (Audited information)

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

Director	Shareholding at 31 July 2017		Interests in shares under the LTIP (nil cost options) and 2011 VCP (nil cost options)		SIP awards (matching shares)	
	Number of beneficially owned shares ¹	% of salary held ²	Total interests subject to conditions	Total vested interests unexercised	Total interests subject to conditions	Total interests at 31 July 2017
Brian Wilkinson	176,999	181%	150,485	7,450	84	335,018
Salar Farzad	-	-	-	-	-	-
Keith Lewis	400,570	615%	233,252	73,286	3,714	710,822
Tony Dyer ¹	403,090	-	-	73,286	-	476,376
Patrick Shanley	15,000	-	-	-	-	15,000
George Materna	7,877,405	-	-	-	-	7,877,405
Ric Piper	-	-	-	-	-	-
Richard Bradford	-	-	-	-	-	-
Rudi Kindts ²	-	-	-	-	-	-
Roger Goodman	80,143	-	-	-	-	80,143
Total	8,453,207		383,737	154,022	3,798	9,494,764

Notes

1 Resigned 9 June 2017.

2 Resigned 31 July 2017.

3 Beneficial interests include shares held directly or indirectly by connected persons. These also include partnership shares held under the SIP.

4 % of salary held calculated using the share price on 31 July 2017 being 307.0 pence

There have been no changes between 31 July 2017 and the date that this report was signed.

LTIP awards granted in 2017 (Audited information)

The table below sets out the details of the LTIP awards granted on 3 February 2017 where vesting will be determined according to the achievement of certain performance measures.

Director	Type of award	Face value/ maximum value of award at grant date ¹ (£/% of salary) ²	Number of shares	Vesting date	Exercise price
Brian Wilkinson	Nil cost options	£300,000/150%	97,403	3 February 2020	Nil
Tony Dyer ¹	Nil cost options	£190,000/95%	61,688	3 February 2020	Nil
Keith Lewis	Nil cost options	£190,000/100%	61,688	3 February 2020	Nil

Notes

1 Resigned 9 June 2017.

2 A share price of 308.0 pence on 31 July 2016 was used to determine the maximum face value of awards. 31 July 2016 was used as the closing price at the previous year end.

The awards will vest subject to achieving the following targets:

Measure	Performance period	Performance target	Vesting (% of award)
Relative TSR versus peer group of recruitment companies (50% award weighting)	Three financial years, ending the 2019 financial year	Median TSR	25%
		Median TSR + 9%	100%
		Straight line vesting between above points	
Growth in adjusted earnings per share	Three financial years, ending the 2019 financial year	Less than 6% per annum	0%
		15% per annum	100%
		Straight line vesting between above points	

Remuneration Committee Report continued

5. Directors' shareholding and share interests continued

SIP awards granted in 2017 (Audited information)

During the year, the Group operated a share incentive plan (SIP) for Executive Directors and all staff. Under the scheme, staff are entitled to buy shares in the Company out of pre-tax salary. Staff can invest up to a maximum of £1,800 per annum, which will be used to purchase shares. The Group will award one free share for every share that is purchased.

Staff will receive matching shares at the end of a three-year holding period, subject to remaining employed within the Group and the shares they bought remaining in the plan throughout the holding period. The table below details the shares bought and matching shares awarded to the Executive Directors during the year.

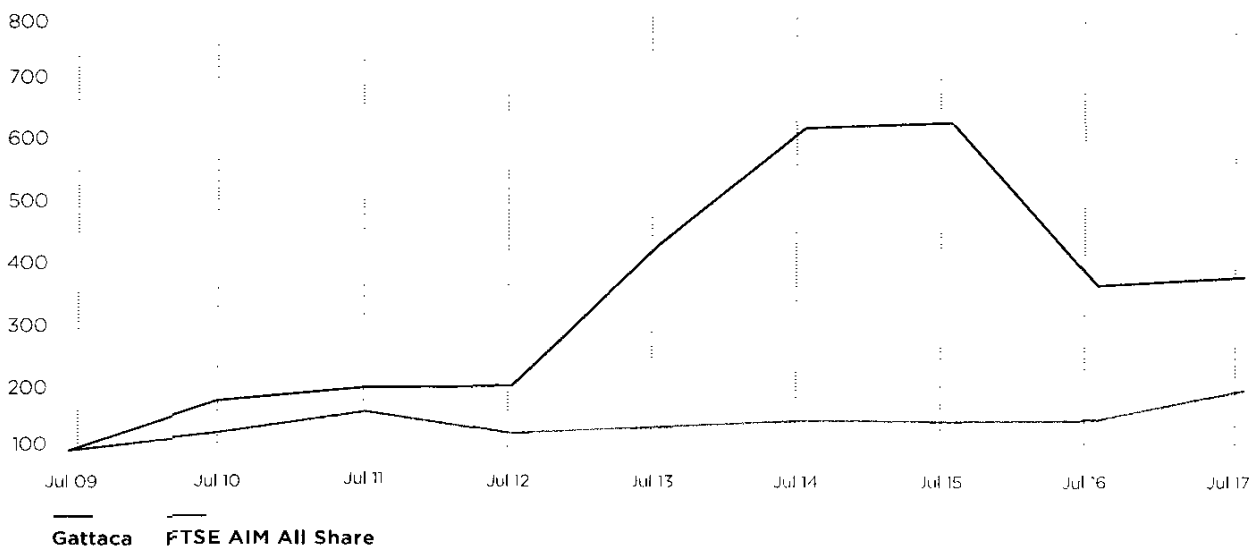
Director	Purchased	Matching shares awarded
Brian Wilkinson	–	247
Kerth Lewis	566	238
Tony Dyer ¹	–	750
Salar Farzad	–	–

¹ Resigned 9 June 2017.

6. Chief Executive Officer and employee pay

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

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



6. Chief Executive Officer and employee pay continued

	2010 A. Gunn	2011 A. Gunn	2012 A. Gunn	2013 A. Gunn	2014 A. Gunn	2015 A. Gunn ¹	2015 B. Wilkinson ²	2016 B. Wilkinson	2017 B. Wilkinson
Role	CEO	CEO	CEO	CEO	CEO	CEO	CEO	CEO	CEO
Single figure of total remuneration (£'000)	247	249	314	328	352	238	403	568	405
Annual bonus (% maximum)	N/A	N/A	N/A	N/A	N/A	0%	40%	29%	0%
LTIP vesting (% maximum)	0%	0%	0%	0%	87%	0%	0%	100%	86%
VCP vesting ³ (% of maximum)	-	-	0%	100%	100%	0%	0%	0%	N/A

Notes

1 The VCP was implemented in the 2012 financial year. Under the VCP, performance is measured annually and as discussed previously, the hurdle was achieved at the second and third measurement dates (i.e. performance related to the 2013 financial year and 2014 financial year). The performance hurdle was not achieved at the first, fourth and fifth measurement dates.

2 A. Gunn left Gattaca 28 January 2015.

3 For FYE 2015, B. Wilkinson's remuneration is shown for the period he was Chief Executive Officer.

Percentage change in the Chief Executive Officer's remuneration

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

% change from 2016 to 2017	Base salary	Benefits	Annual bonus
Chief Executive Officer	0%	+7%	-100%
Employee pay	+4%	+3%	-95%

Relative importance of spend on pay

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

	2017	2016	% change
All-employee spend on pay (£'000)	41,416	37,095	+12%
Total distribution to shareholders (£'000)	7,195	6,892	+4%

Note

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

Remuneration Committee Report continued

7. Considerations by the Committee of matters relating to Directors' remuneration in 2017

The Committee determines and agrees with the Board the Policy for the Chairman of the Board, the Executive Directors and other management team members, and approves the structure of, and targets for, their annual performance-related pay schemes. It reviews the design of share incentive plans for approval by the Board and shareholders, and determines the annual award policy to Executive Directors and Management Board members under existing plans.

Within the terms of the agreed Policy, the Committee determines the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director and senior leadership member. It also reviews and notes the remuneration trends across the Group. The Committee's full Terms of Reference are available on the Company's website, www.gattacapl.com.

Members of the Committee during 2017	Independent	Number of meetings held	Attendance (% of meetings held)
Rudi Kindts	Yes	3	100%
Richard Bradford* (Chairman)	Yes	1	100%
Roger Goodman	Yes	3	100%

Note

* Effective 1 July 2017 as member and Chairman.

During the year, there were three Committee meetings. The matters covered at each meeting included 2015/16 performance and bonuses, 2016/17 bonus performance targets, LTIP performance measures and scheme, Executive Directors reward policy, 2017 leadership variable pay scheme, 2016 bonus schedule and 2016/17 bonus objectives, 2017 salary review budget proposal, Remuneration Committee advisors and employee benefit broker provider.

All Committee members attended all meetings that took place while they were members. None of the Committee members has any personal financial interest (other than as a shareholder) in the decisions made by the Committee, conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

The Chairman, Chief Executive Officer, Chief Financial Officer and HR Director may attend meetings at the invitation of the Committee, but are not present when their own remuneration is being discussed. The Committee is supported by the HR Director, finance and company secretary at functions.

The Committee received external advice in 2017 from PwC. PwC is considered by the Committee to be objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee reviewed the nature of all the services provided during the year by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services.

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

8. Statement of voting

The 2017 Directors' Remuneration Report will be put forward to shareholders on an advisory basis at the next AGM.

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



Richard Bradford

Chairman of the Remuneration Committee
9 November 2017

Statement of Directors' Responsibilities

In respect of the Annual Report and the Financial Statements

Strategic Report
Governance
Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

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

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- › select suitable accounting policies and then apply them consistently;
- › make judgements and estimates that are reasonable, relevant and reliable;
- › state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- › assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and
- › use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. The Directors have also decided to prepare voluntarily a Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board
9 November 2017

Independent Auditor's Report

To the members of Gattaca PLC

1 Our opinion is unmodified

We have audited the financial statements of Gattaca PLC ("the Company") for the year ended 31 July 2017 which comprise the consolidated income statement, Statement of Comprehensive Income, Statements of Changes in Equity, Statements of Financial Position, Consolidated Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion:

- › the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2017 and of the Group's profit for the year then ended;
- › the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- › the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- › the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2016):

Risks associated with the Group:

Risk:	Valuation of Goodwill 31 July 2017 £28,739,000 (31 July 2016 £26,094,000) Refer to the Audit Committee report, Note ix (Summary of significant accounting policies), Note xxii (Summary of significant accounting policies) and Note 12 (Intangible Assets).
Detailed description:	Forecast based valuation The key risk area has evolved in the current year to include the valuation of goodwill for the newly acquired Resourcing Solutions Limited (RSL). Goodwill of £2.6m has been recognised in the current period. This is currently within its own CGU (see note 12). The consideration paid by the Group for past acquisitions was based on the businesses acquired and consideration of future profits that this would bring to the Group, including synergies. There is a risk that the future cash-flows of the acquired cash generating units may no longer support the carrying value of the goodwill, with the current year increased risk arising due to performance post acquisition and the uncertainties associated with the market such as Brexit. Significant headroom in the goodwill balance has been identified when considered in previous years based on the forecast future profits, however its valuation is still considered a key risk due to the performance during FY17 and the current financial climate.

Our response:	<p>Our procedures included the following.</p> <p>Historical comparisons: We obtained the cash flow forecasts, calculation of the recoverable amount and the Gattaca assessment of the current position of whether an impairment is required as at 31 July 2017. Based on historical performance of the business we critically assessed the forecasts, including performing a review of the historical accuracy of prior year forecasts to assess the group's ability to forecast accurately.</p> <p>This included obtaining the management accounts for the first two months of FY18 (August and September 2017) and comparing these against forecast figures to assess the accuracy of the forecasts for the following period.</p> <p>Sensitivity analysis: Our work on the forecasts included a stress test for future margins and for revenue stream growth compared to current performance to determine the point at which the recoverable amount fell below book value.</p> <p>We also performed a sensitivity analysis over discount rates to understand the discount rate that would be required to result in an impairment.</p> <p>Benchmarking assumptions: The discount rates were agreed to consultation from a special st engaged by the Group.</p> <p>We considered the reasonableness of the growth rates (including projected growth in revenue and costs) included in the calculation. The growth rates have been considered against the current level of UK inflation and benchmarks for the industry of expected growth rates.</p> <p>Assessing transparency: We assessed whether the Group's disclosures properly reflected the risks inherent in the calculations and met the requirements of relevant accounting standards.</p>
Risk:	<p>Recoverability of Trade Debtors Debtors over 90 days 31 July 2017 £1,958,000 (31 July 2016 £190,000) <i>Refer to the Audit Committee report, Note xvi (Summary of significant accounting policies), Note xxii (Summary of significant accounting policies) and Note 16 (Trade and other receivables).</i></p>
Detailed description:	<p>Subjective estimate The business operates in territories which may have weaker economies and where longer payment terms are normal. There is a risk that debtor balances are not paid, due to disputes or customers becoming insolvent. The longer payment terms may mean that the business continues to trade with these customers when the debt is actually irrecoverable. The risk is that the provision in place is not sufficient to cover any aged debts which are not expected to be recoverable.</p>
Our response:	<p>Our procedures included the following.</p> <p>Control design: We have tested the effectiveness of controls over the debt chasing of customers with identified issues with debts.</p> <p>Historical comparisons: We have critically assessed the application of the Directors' provisioning for bad debts policy by performing a recalculation and considering the appropriateness of the provision recorded compared to our expectation and by comparing the amounts recognised to that written off relating to bad debts in the previous year.</p> <p>Test of details: Post year end cash receipts testing has been performed and includes investigating balances over 90 days that were not settled by the time of the audit. For those debtors for which no payment has been received post year end and for which no provision is in existence, we challenged the Directors' assessment of the circumstances of that debtor and the likely recoverability of the related debt and inspecting evidence to support the Directors assessment.</p> <p>Assessing transparency: As part of our procedures we have considered the sufficiency of the estimation and credit risk disclosure in the accounts under the 'key judgements' to determine that the disclosure is reflective of the business risks.</p>

Independent Auditor's Report continued

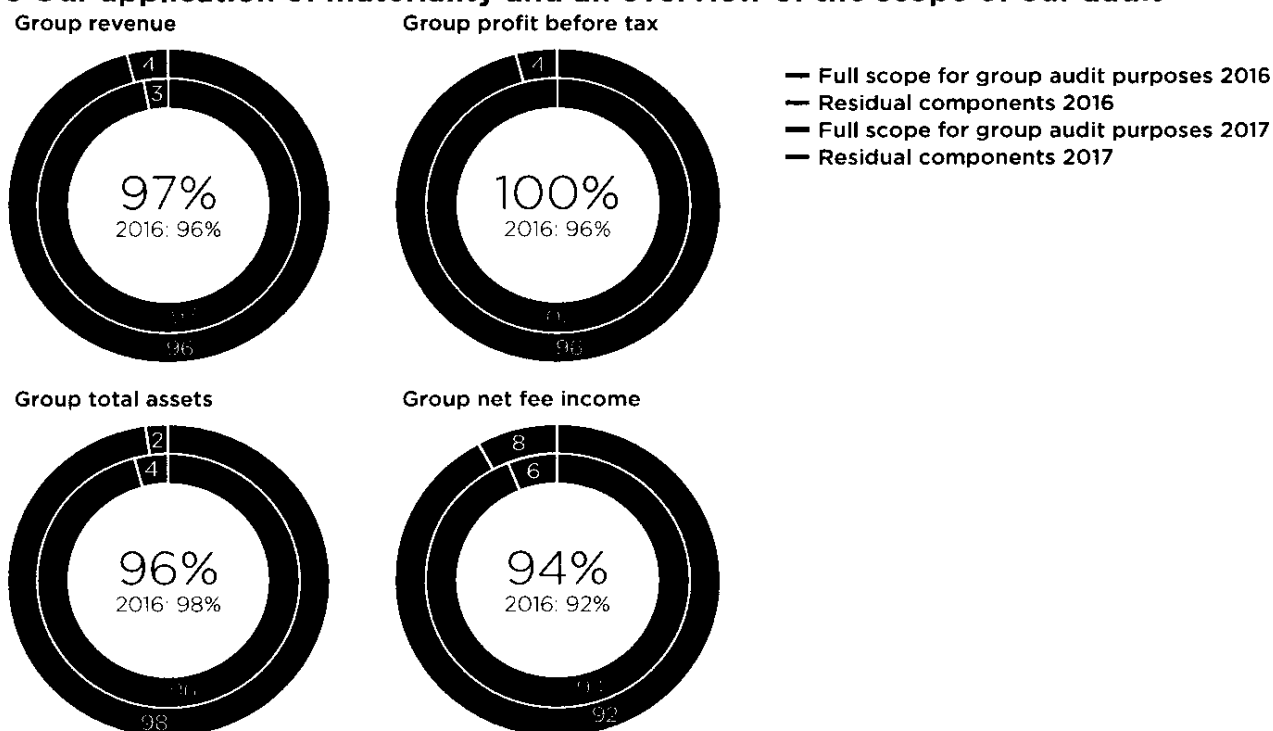
To the members of Gattaca PLC

Risk:	Revenue Recognition (including its inclusion in the appropriate period) 31 July 2017 £26,681,000 (31 July 2016 £25,315,000) – Accrued Income <i>Refer to the Audit Committee report, Note vi (Summary of significant accounting policies), Note xxii (Summary of significant accounting policies) and Note 2 (Segmental information)</i>
Detailed description:	<p>Cut off</p> <p>There is a risk that sales may be recognised in the wrong period due to the volume of client work being performed around year end. This risk is increased with an estimate being made of any hours worked where a timesheet has not yet been received by year end but the work is known to have been completed. This balance is significant by value to our audit. The risk is around both the timesheets not received and those timesheets received late in the process.</p> <p>The manual process for calculation of this amount and its direct impact on the operating profit margin, is identified as the key risk due to the risk of error or manipulation.</p>
Our response:	<p>Our procedures included the following.</p> <p>Test of detail: We have obtained the breakdown for revenue recognised with respect to contractor timesheets not received before the period end and agreed a sample of entries back to original timesheets received post year end to consider whether these have been recognised in the correct period. We have also obtained the accrued revenue breakdown for timesheets which have been authorised but no invoice yet raised and agreed a sample back to the original timesheet to check whether these have been recognised in the correct period.</p> <p>We performed testing to compare whether the August revenue was in line with July revenue to determine whether revenue earned in 2017 had been deferred to 2018.</p> <p>Assessing transparency: We have considered the sufficiency of the disclosure of the estimation risk relating to the accrued income within the accounts.</p>

Risks associated with the Company:

Risk:	Valuation of Investments 31 July 2017 £7,987,000 (31 July 2016 £7,213,000)
Detailed description:	<p>Gattaca PLC holds an investment in Matchtech Group (Holdings) Limited, which is the holding company that owns the Gattaca trading companies. There is a risk that the valuation of the investments is not supportable and should subsequently be impaired.</p>
Our response:	<p>Our procedures including the following.</p> <p>Comparing valuations: Comparing the carrying amount of the investment with the relevant subsidiaries' financial statements to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.</p> <p>We have assessed the investment carrying amount against the market capitalisation of the group as an indicator of the value of the trading business held by Gattaca PLC standalone entity.</p>

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



Materiality for the group financial statements as a whole was set at £600,000 (2016: £1,000,000) determined with reference to a benchmark of average group profit before tax across 2016 and 2017, of which it represents 4.5% (2016 4.7% group profit before tax).

Materiality for the parent company financial statements as a whole was set at £450,000 (2016: £750,000), determined with reference to a benchmark of Net Assets, of which it represents 1.1% (2016: 1.8%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £30,000 (2016: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 31 (2016: 33) reporting components, we subjected 16 (2016: 15) to full scope audits for group purposes. The components audited were in the following locations: UK (10), North America (2), South Africa (2), Mexico (1) and Dubai (1).

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality's, which ranged from £50,000 to £300,000 (2016: £50,000 to £500,000), having regard to the mix of size and risk profile of the Group across the components. The work on 11 of the 16 components (2016: 9 of the 15 components) was performed by component auditors and the rest by the Group team.

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

Independent Auditor's Report continued

To the members of Gattaca PLC

4 We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- › we have not identified material misstatements in the strategic report and the directors' report;
- › in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- › in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, as if those requirements applied to the company.

Disclosures of principal risks and longer-term viability

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

- › the directors' confirmation within the Viability Statement (included within the Directors Report) on page 35 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- › the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- › the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- › we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- › the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

In addition to our audit of the financial statements, the directors have engaged us to review the Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters. Under the terms of our engagement we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the eleven provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion,

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 34, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view, such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Steve Masters (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG
9 November 2017

Consolidated Income Statement

For the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
Revenue		642,365	617,604
Cost of sales		(567,657)	(544,608)
Gross profit	2	74,708	72,996
Administrative expenses		(62,004)	(57,934)
Profit from operations	3	12,704	15,062
Profit from operations before amortisation of acquired intangibles and non-recurring costs		17,388	21,089
Non-recurring costs included within administrative expenses	3	(1,610)	(2,371)
Amortisation of acquired intangibles	3	(3,074)	(3,656)
Profit on disposal of subsidiary		-	58
Finance income	5	44	1,025
Finance cost	6	(1,240)	(1,076)
Profit before tax		11,508	15,069
Taxation	9	(4,160)	(5,152)
Profit for the year		7,348	9,917
Attributable to:			
Equity holders of the parent		7,176	9,917
Non-controlling interests		172	-
		7,348	9,917

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

Earnings per ordinary share

	Note	2017 pence	2016 pence
Basic	10	23.4	32.1
Diluted	10	22.7	31.0

Statement of Comprehensive Income

For the year ended 31 July 2017

	2017 £'000	2016 £'000
Profit for the year	7,348	9,917
Other comprehensive income		
Exchange differences on translating foreign operations	218	835
Other comprehensive income for the year	218	835
Total comprehensive income for the year attributable to equity holders of the parent	7,566	10,752
Attributable to:		
Equity holders of the parent	7,394	10,752
Non-controlling interests	172	-
Total	7,566	10,752

The accompanying notes form part of these financial statements

Statements of Changes in Equity

For the year ended 31 July 2017

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A) Group

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation of foreign operations £'000	Retained earnings £'000	Non-controlling interests £'000	Total £'000
At 1 August 2015	309	8,694	28,750	2,140	(20)	36,648	16	76,537
Profit for the year	-	-	-	-	-	9,917	-	9,917
Other comprehensive income	-	-	-	-	835	-	-	835
Total comprehensive income	-	-	-	-	835	9,917	-	10,752
Dividends paid in the year	-	-	-	-	-	(6,892)	-	(6,892)
Deferred tax movement re share options	-	-	-	-	-	(185)	-	(185)
Acquisition of non-controlling interest	-	-	-	-	-	(124)	(16)	(140)
IFRS 2 charge	-	-	-	1,537	-	-	-	1,537
IFRS 2 reserves transfer	-	-	-	(1,140)	-	1,140	-	-
Shares issued	3	2	-	-	-	-	-	5
Transactions with owners	3	2	-	397	-	(6,061)	(16)	(5,675)
At 31 July 2016	312	8,696	28,750	2,537	815	40,504	-	81,614
At 1 August 2016	312	8,696	28,750	2,537	815	40,504	-	81,614
Profit for the year	-	-	-	-	-	7,176	172	7,348
Other comprehensive income	-	-	-	-	218	-	-	218
Total comprehensive income	-	-	-	-	218	7,176	172	7,566
Dividends paid in the year	-	-	-	-	-	(7,195)	-	(7,195)
Deferred tax movement re share options	-	-	-	-	-	(121)	-	(121)
Deferred consideration	-	-	-	-	-	-	2,050	2,050
IFRS 2 charge	-	-	-	774	-	-	-	774
IFRS 2 reserves transfer	-	-	-	(1,896)	-	1,896	-	-
Shares issued	6	8	-	-	-	-	-	14
Transactions with owners	6	8	-	(1,122)	-	(5,420)	2,050	(4,478)
At 31 July 2017	318	8,704	28,750	1,415	1,033	42,260	2,222	84,702

Statements of Changes in Equity continued

For the year ended 31 July 2017

B) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2015	309	8,694	28,526	2,140	612	40,281
Profit and total comprehensive income for the year	-	-	-	-	7,298	7,298
Dividends paid in the year	-	-	-	-	(6,892)	(6,892)
IFRS 2 charge	-	-	-	1,537	-	1,537
IFRS 2 reserves transfer	-	-	-	(1,140)	1,140	-
Shares issued	3	2	-	-	-	5
Transactions with owners	3	2	-	397	(5,752)	(5,350)
At 31 July 2016	312	8,696	28,526	2,537	2,158	42,229
At 1 August 2016	312	8,696	28,526	2,537	2,158	42,229
Profit and total comprehensive income for the year	-	-	-	-	6,278	6,278
Dividends paid in the year	-	-	-	-	(7,195)	(7,195)
IFRS 2 charge	-	-	-	774	-	774
IFRS 2 reserves transfer	-	-	-	(1,896)	1,896	-
Shares issued	6	8	-	-	-	14
Transactions with owners	6	8	-	(1,122)	(5,299)	(6,407)
At 31 July 2017	318	8,704	28,526	1,415	3,137	42,100

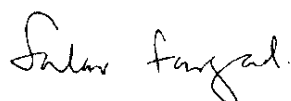
Statements of Financial Position

For the year ended 31 July 2017

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		Group		Company	
	Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-current assets					
Intangible assets	12	51,802	48,371	-	-
Property, plant and equipment	13	2,504	1,125	-	-
Investments	14	-	-	7,987	7,213
Deferred tax asset	15	773	969	-	-
Total non-current assets		55,079	50,465	7,987	7,213
Current assets					
Trade and other receivables	16	114,997	100,811	86,608	80,335
Cash and cash equivalents		5,802	7,442	-	-
Total current assets		120,799	108,253	86,608	80,335
Total assets		175,878	158,718	94,595	87,548
Non-current liabilities					
Deferred tax liability	15	(3,914)	(4,286)	-	-
Provisions	17	(1,596)	(278)	-	-
Bank loans and overdrafts	23	(20,464)	(13,608)	(20,464)	(13,608)
Total non-current liabilities		(25,974)	(18,172)	(20,464)	(13,608)
Current liabilities					
Trade and other payables	18	(38,990)	(37,861)	(32,031)	(31,711)
Current tax liability		(586)	(2,224)	-	-
Bank loans and overdrafts	23	(25,626)	(18,847)	-	-
Total current liabilities		(65,202)	(58,932)	(32,301)	(31,711)
Total liabilities		(91,176)	(77,104)	(52,495)	(45,319)
Net assets		84,702	81,614	42,100	42,229
Equity					
Called-up equity share capital	21	318	312	318	312
Share premium account		8,704	8,696	8,704	8,696
Merger reserve		28,750	28,750	28,526	28,526
Share-based payment reserve		1,415	2,537	1,415	2,537
Translation of foreign operations		1,033	815	-	-
Retained earnings		42,260	40,504	3,137	2,158
Total equity attributable to equity holders of the parent		82,480	81,614	42,100	42,229
Non-controlling interest		2,222	-	-	-
Total equity		84,702	81,614	42,100	42,229

These financial statements were approved by the Board of Directors on 9 November 2017, and signed on their behalf by



Salar Farzad
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 31 July 2017

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash flows from operating activities				
Profit after taxation	7,348	9,917	6,278	7,298
Adjustments for:				
Depreciation and amortisation	3,970	4,776	-	-
Profit on disposal of property, plant and equipment	(9)	(7)	-	-
Interest income	(44)	(1,025)	-	-
Interest expense	1,240	1,076	-	-
Taxation expense recognised in profit and loss	4,160	5,152	-	-
Increase in trade and other receivables	(3,774)	(1,914)	(6,273)	(8,200)
(Decrease)/increase in trade and other payables	(1,221)	299	320	22,789
Share-based payment charge	774	1,537	-	-
Investment income	-	-	(7,200)	(8,200)
Cash generated from operations	12,444	19,811	(6,875)	13,687
Interest paid	(1,145)	(1,186)	-	-
Income taxes paid	(6,034)	(4,067)	-	-
Net cash from operating activities	5,265	14,558	(6,875)	13,687
Cash flows from investing activities				
Purchase of plant and equipment	(1,027)	(471)	-	-
Purchase of intangible assets	(512)	(462)	-	-
Acquisitions net of cash received	(11,162)	(390)	-	-
Proceeds from sale of subsidiary	-	420	-	-
Proceeds from sale of property, plant and equipment	76	53	-	-
Dividend received	-	-	7,200	8,200
Net cash used in investing activities	(12,625)	(850)	7,200	8,200
Cash flows from financing activities				
Proceeds from issue of share capital	14	5	14	5
Drawdown of term loan	7,106	-	7,106	-
Finance costs paid	(250)	-	(250)	-
Repayment of term loan	-	(15,000)	-	(15,000)
Dividends paid	(7,195)	(6,892)	(7,195)	(6,892)
Net cash used in financing	(325)	(21,887)	(325)	(21,887)
Effects of exchange rates on cash and cash equivalents	(695)	1,908	-	-
Net decrease in cash and cash equivalents	(8,380)	(6,271)	-	-
Cash and cash equivalents at beginning of year	(11,511)	(5,240)	-	-
Cash and cash equivalents at end of year	(19,891)	(11,511)	-	-
Cash and cash equivalents				
Cash	5,802	7,442	-	-
Bank overdrafts	-	(14)	-	-
Working capital facility used	(25,693)	(18,939)	-	-
Cash and cash equivalents in cash flow statements	(19,891)	(11,511)	-	-

Notes Forming Part of the Financial Statements

Strategic Report
Governance
Financial Statements

1 The Group and Company Significant Accounting Policies

i The business and address of the Group

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

ii Basis of preparation of the Financial Statements

The Financial Statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union (EU) and which are effective at 31 July 2017.

These Financial Statements have been prepared under the historical cost convention. The accounting policies have been applied consistently throughout both the Group and the Company for the purposes of preparation of these Financial Statements. A summary of the principal accounting policies of the Group is set out below.

iii Going concern

The Directors have reviewed forecasts and budgets for the coming year, which have been drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. These were prepared with reference to historical and current industry knowledge, taking future strategy of the Group into account. As a result, at the time of approving the Financial Statements, the Directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements. As with all business forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

iv New standards and interpretations

The following amendment to the existing standard is applicable for the period ending 31 July 2017:

Standard	Effective date (Annual periods beginning on or after)
IFRS 11 Joint Arrangements	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IAS 27 Equity Method in Separate Financial Statements	1 January 2016

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

New standards in issue, not yet effective

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

Standard	Effective date (Annual periods beginning on or after)
IAS 12 Deferred Tax	1 January 2017
IFRS 9 Fair Values	1 January 2018
IFRS 15 Revenue	1 January 2018
IFRS 2 Share-based Payment Transactions	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS improvements Various	Various

The Board needs to assess the impact of the above new standards, based on the Group's current business model and accounting policies.

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

v Basis of consolidation

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

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

Transactions between Group companies are eliminated on consolidation.

Notes Forming Part of the Financial Statements continued

1 The Group and Company Significant Accounting Policies continued

vi Revenue

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

vii Non-recurring items

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

Items which are included within this category include:

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

viii Property, plant and equipment

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

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

Motor vehicles	25.0%	Reducing balance
Fixtures, fittings and equipment	12.5% to 33.0%	Straight line
Leasehold improvements	Over the period of the lease term	Straight line

ix Intangible assets

Goodwill

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

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

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

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

Customer relationships

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

Trade names and trademarks

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

Other

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

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

Software licences

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

x Disposal of assets

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

xi Operating lease agreements

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

xii Taxation

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

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

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

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

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

xiii Pension costs

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

Notes Forming Part of the Financial Statements continued

1 The Group and Company Significant Accounting Policies continued

xiv Share-based payment

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

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

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

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

xv Business combinations completed prior to date of transition to IFRS

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

xvi Financial assets

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

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

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

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

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

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

xvii Financial liabilities

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

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

xviii Financial instruments

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

- (i) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (ii) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

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

Fair value hierarchy

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

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

xix Cash and cash equivalents

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

xx Dividends

Dividend distributions payable to equity shareholders are included in 'other short-term financial liabilities' when the dividends are approved in general meeting prior to the balance sheet date.

xxi Foreign currencies

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

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

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

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

Notes Forming Part of the Financial Statements continued

1 The Group and Company Significant Accounting Policies continued

xxii Equity

Equity comprises the following

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

xxiii Alternative performance measures

Alternative performance measures used within the Group's Annual Report are explained within Note 25.

xxiv Significant accounting estimates and judgements

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

Critical judgements

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date are discussed below. These are included for completeness, although it is the Directors' view that none of these have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the ongoing evaluation of the collectability and ageing analysis of the trade and other receivables and on management's judgements. Considerable judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's receivables were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required. The carrying amounts of these assets are shown in Note 16.

Intangible assets

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

2 Segmental Information

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

Reportable segments

For the year to 31 July 2016 the Group was reported in two main segments: Engineering and Technology. From 1 August 2016 the reporting structure of the Group was changed to three main reporting segments, Engineering, Technology and International.

The International reporting segment includes all overseas offices which were previously reported within the Engineering and Technology segments. A reconciliation between the new and previous segmental reporting is included below.

2017 All amounts in £'000	UK Engineering	UK Technology	International	Underlying	Non-recurring items and amortisation of acquired intangibles	Group Total
Revenue	420,782	158,374	63,209	642,365	-	642,365
Gross profit	43,080	16,178	15,450	74,708	-	74,708
Operating contribution	23,758	7,061	5,619	36,438	-	36,438
Central overheads	(10,579)	(4,525)	(3,946)	(19,050)	(4,684)	(23,734)
Profit/(loss) from operations	13,179	2,536	1,673	17,388	(4,684)	12,704
Finance cost, net						(1,196)
Profit before tax						11,508
Depreciation and amortisation	588	220	88	896	3,074	3,970
Segment net assets	72,696	27,361	10,920	110,977		110,977
Unallocated net liabilities						(26,275)
Total net assets						84,702

2016 All amounts in £'000	UK Engineering	UK Technology	International	Underlying	Divested businesses	Non-recurring items and amortisation of acquired intangibles	Group Total
Revenue	389,584	169,104	58,144	616,832	772	-	617,604
Gross profit	40,865	17,413	14,109	72,387	609	-	72,996
Operating contribution	23,126	8,229	6,868	38,223	(46)	-	38,177
Central overheads	(8,145)	(4,242)	(4,339)	(16,726)	(362)	(6,027)	(23,115)
Profit/(loss) from operations	14,981	3,987	2,529	21,497	(408)	(6,027)	15,062
Profit on disposal of subsidiary						58	58
Finance cost, net							(51)
Profit before tax							15,069
Depreciation and amortisation	632	270	218	1,120		3,656	4,776
Segment net assets	55,412	23,612	19,132	98,156			98,156
Unallocated net liabilities							(16,542)
Total net assets							81,614

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

Notes Forming Part of the Financial Statements continued

2 Segmental Information continued

Changes to segment reporting from 2016 audited Financial Statements

For the year to 31 July 2016, the segment reporting was presented in two segments: Engineering and Technology.

The analysis below reconciles the change in reporting

All amounts in £'000	Engineering			Technology			Total International
	UK	International	Total	UK	International	Total	
Revenue	389,584	8,153	397,737	169,104	49,991	219,095	58,144
Gross profit	40,865	2,643	43,508	17,413	11,466	28,879	14,109
Operating contribution	23,126	730	23,856	8,229	6,138	14,367	6,868
Central overheads	(8,145)	(1,742)	(9,887)	(4,242)	(2,597)	(6,839)	(4,339)
Profit/(loss) from operations	14,981	(1,012)	13,969	3,987	3,541	7,528	2,529

Geographical information

All amounts in £'000	Revenue		Non-current assets	
	2017	2016	2017	2016
UK	579,156	558,688	54,659	49,940
Europe	773	1,241	-	-
Middle East and Africa	22,378	21,352	204	227
Americas	21,150	21,126	194	138
Asia Pacific	18,908	15,197	22	160
Total	642,365	617,604	55,079	50,465

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

Largest customers

No single client contributed more than 10% of the Group's revenues (2016: none).

3 Profit from Operations

	2017 £'000	2016 £'000
Profit from operations is stated after charging/(crediting):		
Depreciation	609	835
Amortisation of acquired intangibles	3,074	3,656
Amortisation of software licences	287	285
Profit on disposal of property, plant and equipment	(9)	(7)
Auditors' remuneration		
Fees payable for the audit of the Parent Company Financial Statements	10	10
Fees payable for the audit of the Subsidiary Company Financial Statements	263	238
Total	273	248
Non-audit services:		
Taxation	159	45
Other services pursuant to legislation	6	-
Total	165	45
Operating lease costs:		
Plant and machinery	424	312
Land and buildings	2,297	1,610
Share-based payment charge	774	1,537
Net gain on foreign currency translation	(36)	(1,025)
Acquisition costs	174	-
Restructuring costs	1,436	2,371

4 Particulars of Employees

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

	2017 No.	2016 No.
Sales	628	558
Administration	238	171
Directors	10	11
Total	876	740

The aggregate payroll costs of the above were:

	2017 £'000	2016 £'000
Wages and salaries	35,975	32,578
Social security costs	3,957	3,262
Other pension costs	1,484	1,255
Total	41,416	37,095

Disclosure of the remuneration of key management personnel, as required by IAS 24, is detailed below. Disclosure of the remuneration of the statutory Directors is further detailed in the audited part of the Remuneration Report on pages 46 to 62.

	2017 £'000	2016 £'000
Short-term employee benefits	2,016	2,319
Post-employment benefits	128	113
Share-based payments	287	600
Total	2,431	3,032

5 Finance Income

	2017 £'000	2016 £'000
Interest receivable	8	–
Foreign currency exchange differences	36	1,025
Total	44	1,025

6 Finance Costs

	2017 £'000	2016 £'000
Bank interest payable	1,154	977
Amortisation of capitalised finance costs	86	99
Total	1,240	1,076

7 Dividends

	2017 £'000	2016 £'000
Equity dividends paid during the year at 23.00 pence per share (2016: 22.32 pence)	7,195	6,892
Equity dividends proposed after the year end (not recognised as a liability) at 17.00 pence per share (2016: 17.00 pence)	5,406	5,298

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

Notes Forming Part of the Financial Statements continued

8 Parent Company Profit

	2017 £'000	2016 £'000
The amount of profit dealt with in the accounts of the Company is:	6,278	7,298

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present the Parent Company's income statement.

9 Taxation

	2017 £'000	2016 £'000
Current tax		
UK corporation tax	1,808	3,606
Overseas corporation tax	3,063	2,153
Prior year under/(over) provision	236	(9)
	5,107	5,750
Deferred tax (note 15)	(947)	(598)
Taxation	4,160	5,152

UK corporation tax has been charged at 19.7% (2016: 20.0%).

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

	2017 £'000	2016 £'000
Profit before tax	11,508	15,069
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19.7% (2016: 20.0%)	2,267	3,014
Expenses not deductible for tax purposes	103	610
Effect of share-based payments	(190)	-
Irrecoverable withholding tax	1,976	1,137
Overseas losses not provided for	57	-
Difference between UK and overseas tax rates	271	400
Total tax charge excluding adjustments in respect of prior periods	4,484	5,161
Adjustments in respect of previous periods	100	(9)
Changes in UK tax rates	(424)	-
Total tax charge for period	4,160	5,152

Tax charge recognised directly in equity:

	2017 £'000	2016 £'000
Deferred tax recognised directly in equity	(121)	(185)
Total tax recognised directly in equity	(121)	(185)

Future tax rate changes

The UK corporation tax rate of 20% reduced to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020 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 2017.

10 Earnings per Share

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

10 Earnings per Share continued

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

	2017 £'000	2016 £'000
Profit after tax attributable to ordinary shareholders	7,348	9,917
Number of shares	'000s	'000s
Weighted average number of ordinary shares in issue	31,453	30,887
Effect of dilutive potential ordinary shares under option	939	1,153
Total	32,392	32,040
	2017 pence	2016 pence
Earnings per share		
Basic	23.4	32.1
Diluted	22.7	31.0

11 Acquisition

The Group completed the acquisition of 70% of the ordinary share capital of Resourcing Solutions Limited on 2 February 2017. Consideration of £7.4m was paid in cash. The remaining 30% of the ordinary share capital is subject to a put and call option exercisable from 12 months after the date of acquisition. Consideration for the remaining ordinary share capital is calculated as 5x EBITA for the preceding 12-month period.

Resourcing Solutions Limited is a recruitment business which supplies skilled staff on a permanent or temporary basis, primarily in the rail sector.

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's net assets at acquisition date £'000	Fair value adjustments £'000	Fair value £'000
Net tangible assets acquired:			
Intangible assets	-	3,635	3,635
Fixed assets	93		93
Trade and other receivables	10,442		10,442
Corporation tax	(274)		(274)
Deferred tax liability	-	(655)	(655)
Cash	17		17
Borrowings	(3,784)		(3,784)
Trade and other payables	(2,674)		(2,674)
Total	3,820	2,980	6,800
Goodwill			2,645
Total consideration			9,445
Analysis of consideration:			
Cash paid			7,395
Non-controlling interest			2,050
			9,445
Analysis of net cash flows:			
Cash consideration paid			7,395
Cash and cash equivalents acquired			(17)
Bank loans and overdrafts acquired			3,784
Net cash outflow			11,162

Notes Forming Part of the Financial Statements continued

11 Acquisition continued

Intangible assets have been identified relating to the candidate database, customer relationships and trademarks; all intangible assets have been recognised at fair value. Goodwill represents expected synergies from combining operations of the acquiree and acquirer, the employees of Resourcing Solutions Limited and intangibles that do not qualify for separate recognition.

Fair value adjustments have been made to reflect the identified intangible assets arising on acquisition and the deferred tax liability on those assets.

Amortisation of intangible assets is on a straight line basis over their useful economic lives, determined as follows:

Customer relationships	10 years
Trade names	10 years
Candidate databases	5 years

The Group incurred acquisition costs of £174,000 for external legal fees, stamp duty and due diligence. These costs have been recognised in administrative expenses in the Group's Consolidated Income Statement.

In the period between the acquisition and 31 July 2017 the Group benefited from £21,968,000 of revenue from Resourcing Solutions Limited, gross profit of £3,378,000 and profit after amortisation of intangibles of £478,000. If the acquisition had occurred on 1 August 2016 the combined Group results would have been: revenue £667,237,000, gross profit £78,548,000 and profit from operations after amortisation £13,341,000. The amortisation of intangibles would have been £3,312,000.

12 Intangible Assets

Group		Goodwill £'000	Customer relationships £'000	Trade names £'000	Other £'000	Software licences £'000	Total £'000
Cost	At 1 August 2015	26,451	20,152	4,907	2,436	1,769	55,715
	Additions	23	-	-	250	189	462
	Disposals	(380)	-	-	-	-	(380)
	At 1 August 2016	26,094	20,152	4,907	2,686	1,958	55,797
	Additions	-	-	-	-	512	512
	Disposals	-	-	-	-	-	-
	Acquisitions	2,645	2,093	419	1,123	-	6,280
	At 31 July 2017	28,739	22,245	5,326	3,809	2,470	62,589
Amortisation	At 1 August 2015	-	1,399	526	734	826	3,485
	Charge for the year	-	2,097	915	644	285	3,941
	At 31 July 2016	-	3,496	1,441	1,378	1,111	7,426
	Charge for the year	-	2,145	423	506	287	3,361
	At 31 July 2017	-	5,641	1,864	1,884	1,398	10,787
Net book value	At 31 July 2016	26,094	16,656	3,466	1,308	847	48,371
	At 31 July 2017	28,739	16,604	3,462	1,925	1,072	51,802

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

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

	2017 £'000	2016 £'000
Professional Services	1,643	1,643
Engineering	4,379	4,379
Technology	20,072	20,072
Resourcing Solutions Limited	2,645	-
Total	28,739	26,094

12 Intangible Assets continued

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

Profit from operations

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

Discount rates

The pre-tax rate used to discount the forecast cash flows was 15.4% (2016: 15.4%) reflecting the Group's weighted average cost of capital.

Growth rates

The long-term growth rates are based on management forecasts which are consistent with external sources at an average growth rate of 2.5% (2016: 2.5%).

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

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

Amortisation is charged through administrative expenses in the income statement.

13 Property, plant and equipment

Group	Motor vehicles £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 August 2015	940	1,268	3,490	5,698
Additions	-	58	413	471
Disposals	(211)	-	(248)	(459)
At 1 August 2016	729	1,326	3,655	5,710
Additions	-	1,559	422	1,981
Acquisitions	-	-	93	93
Disposals	(381)	-	(20)	(401)
At 31 July 2017	348	2,885	4,150	7,383
Depreciation				
At 1 August 2015	666	532	2,965	4,163
Charge for the year	67	340	428	835
Released on disposal	(182)	-	(231)	(413)
At 31 July 2016	551	872	3,162	4,585
Charge for the year	39	198	372	609
Released on disposal	(315)	-	-	(315)
At 31 July 2017	275	1,070	3,534	4,879
Net book value				
At 31 July 2016	178	454	493	1,125
At 31 July 2017	73	1,815	616	2,504

Included within leasehold improvements is a cost of £1,168,000 (2016: £215,000) relating to the dilapidations provision (see Note 17).

There were no capital commitments as at 31 July 2017 or 31 July 2016.

Notes Forming Part of the Financial Statements continued

14 Investments

	Company	
	2017 £'000	2016 £'000
Investment in Group companies at 1 August	7,213	5,676
Movement in investment in Group companies	774	1,537
Investment in Group companies at 31 July	7,987	7,213

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

Subsidiary undertakings

Company	Registered office	Country of incorporation	Share class	% held	Main activities
Matchtech Group (Holdings) Limited	1	United Kingdom	Ordinary	100%	Holding
Matchtech Group Management Company Limited	1	United Kingdom	Ordinary	100%	Non trading
Matchtech Group (UK) Limited	1	United Kingdom	Ordinary	99.998%	Provision of recruitment consultancy
Matchtech Engineering Limited	1	United Kingdom	Ordinary	100%	Non trading
Matchtech Limited	1	United Kingdom	Ordinary	100%	Non trading
Barclay Meade Limited	1	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Alderwood Education Limited	1	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Gattaca Solutions Limited	1	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Connectus Technology Limited	1	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Gattaca Recruitment Limited	1	United Kingdom	Ordinary	100%	Non trading
Gattaca GmbH	2	Germany	Ordinary	100%	Provision of recruitment consultancy
Gattaca BV	3	Netherlands	Ordinary	100%	Non trading
Matchtech Engineering Inc	4	United States	Ordinary	100%	Non trading
Application Services Limited	1	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Provanis Limited	1	United Kingdom	Ordinary	100%	Non trading
Networkers International Limited	5	United Kingdom	Ordinary	100%	Holding
Networkers International (UK) Limited	5	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Networkers International LLC	6	United States	Ordinary	100%	Non trading
Networkers Inc.	6	United States	Ordinary	100%	Provision of recruitment consultancy
NWI de Mexico S. de R.L. de C.V.	7	Mexico	Ordinary	100%	Provision of recruitment consultancy
Networkers International South Africa Proprietary Limited	8	South Africa	Ordinary	87%	Provision of recruitment consultancy
Networkers International Proprietary Limited	8	South Africa	Ordinary	100%	Provision of recruitment consultancy
Kithara Limited	8	South Africa	Ordinary	100%	Holding
Networkers International (China) Co. Limited	9	China	Ordinary	100%	Provision of recruitment consultancy
Networkers International (Malaysia) Sdn Bhd	10	Malaysia	Ordinary	100%	Provision of recruitment consultancy

14 Investments continued

Company	Registered office	Country of incorporation	Share class	% held	Main activities
Networkers International (Canada) Inc	11	Canada	Ordinary	100%	Provision of recruitment consultancy
Networkers International Trustees Limited	5	United Kingdom	Ordinary	100%	Non trading
The Comms Group Limited	5	United Kingdom	Ordinary	100%	Holding
CommsResources Limited	5	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Gattaca Malaysia SDN. BHD	10	Malaysia	Ordinary	100%	Provision of recruitment consultancy
Comms Software Limited	5	United Kingdom	Ordinary	100%	Non trading
Gattaca de Colombia SAS	12	Colombia	Ordinary	100%	Provision of recruitment consultancy
Elite Computer Staff Limited	5	United Kingdom	Ordinary	100%	Non trading
NWKI Consultancy FZ LLC	13	Dubai	Ordinary	100%	Provision of recruitment consultancy
Networkers Recruitment Services Limited	5	United Kingdom	Ordinary	100%	Non trading
MSB International GMBH	14	Germany	Ordinary	100%	Non trading
NWKI Communications LLC	13	Dubai	Ordinary	49%	Provision of recruitment consultancy
Networkers Consultancy (Singapore) PTE. Limited	15	Singapore	Ordinary	100%	Provision of recruitment consultancy
Cappo Group Limited	5	United Kingdom	Ordinary	100%	Holding
Cappo Inc	6	United States	Ordinary	100%	Provision of recruitment consultancy
Cappo International Limited	5	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Cappo Qatar LLC	16	Qatar	Ordinary	49%	Provision of recruitment consultancy
Networkers Consultoria Em Tecnologia da Informacao Limitada	17	Brazil	Ordinary	100%	Non trading
Resourcing Solutions Limited	18	United Kingdom	Ordinary	70%	Provision of recruitment consultancy
MSB Consulting Services Limited	5	United Kingdom	Ordinary	100%	Non trading
Gattaca SAS	19	France	Ordinary	100%	Provision of recruitment consultancy
Gattaca Recruitment ETT, SLU	20	Spain	Ordinary	100%	Provision of recruitment consultancy
Gattaca Information Technology Services SLU	20	Spain	Ordinary	100%	Provision of recruitment consultancy

- 1 1450 Parkway Solent Business Park Whiteley Fareham Hampshire PO15 7AF
- 2 Karlstrasse 35, 80333 Munich, Germany
- 3 Herengracht 124-128, 1015 BT Amsterdam, Netherlands
- 4 33 SW Flager Avenue, Stuart, Florida, USA
- 5 Harover Place, 8 Ravenspoune Road, Bromley, Kent, BR1 1HP
- 6 2701 Dallas Parkway, Suite 440, Plano, TX 75093, USA
- 7 Torre Reforma, Catino, Paseo de la Reforma 296, Piso 15 A, Del Cuauhtemoc, C.P. 06600, Mexico
- 8 6th Floor, Grant Thornton House, 113 Hertzog Boulevard, Foreshore, Cape Town, 8001, South Africa
- 9 32701 Di San Zhi Ye Building, Shu Guang Xili, Chaoyang District, Beijing, China
- 10 Level 5, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia
- 11 181 Bay Street, Suite 4400, Brookfield Place, Toronto, Ontario, Canada M5J 2T3
- 12 Av 9 A Norte 14 N 73 OF 202, Valle del Cauca, Cali, Colombia
- 13 Office 3022 Shatna Tower, Dubai Media City, Dubai, UAE
- 14 Franklinstr. 48, 60456 Frankfurt, Germany
- 15 371 Beach Road, #15-09 Keydome, Singapore 199597
- 16 Suite #204, Office #40 Al Rawadi Street, Muntazah, Doha, State of Qatar, PO Box 5306
- 17 Avenida Engenheiro Luiz Carlos Berrini nº 1461, 12ª andar, Cidade Monções, Cidade de São Paulo, Estado São Paulo, CEP 04571-011
- 18 Ruscombe Park, Reading RG10 9JW
- 19 1 Rue Favart, 75002 Paris, France
- 20 Calle General Moscardón,6, Espacio Office, Madrid 28202 Spain

Notes Forming Part of the Financial Statements continued

15 Deferred Tax

All amounts in £'000	Asset 2017	Liability 2017	Net 2017	(Charged)/ credited to profit 2017	Charged to equity 2017
Share-based payments	445	-	445	(109)	(121)
Depreciation in excess of capital allowances	117	-	117	9	-
Acquired intangibles	-	(3,914)	(3,914)	1,027	-
Other temporary and deductible differences	211	-	211	20	-
Net deferred tax assets/(liabilities)	773	(3,914)	(3,141)	947	(121)

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

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

	Group	
	2017 £'000	2016 £'000
At 1 August	(3,317)	(3,730)
Acquired intangibles	(655)	-
Recognised in income	947	598
Recognised in equity	(121)	(185)
Foreign exchange	5	-
At end of year	(3,141)	(3,317)

The UK corporation tax rate of 20% reduced to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020 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 a rate of 17% (2016: 18%).

16 Trade and Other Receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	110,977	98,156	-	-
Amounts owed by Group companies	-	-	86,606	80,335
Other receivables	1,729	887	2	-
Prepayments	2,291	1,768	-	-
Total	114,997	100,811	86,608	80,335

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

Days' sales outstanding at the year end based upon the preceding three months' revenue were 55.0 days (2016: 50.2 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of debts.

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

16 Trade and Other Receivables continued

Included in the Group's trade receivable balance are debtors with a carrying amount of £15,661,000 (2016: £10,407,000) which are past due at the reporting date for which the Group has not provided as the Directors do not believe there has been a significant change in credit quality and consider the amounts to be recoverable in full. The Group does not hold any collateral over these balances.

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

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

Ageing of past due but not impaired trade receivables:

	Group	
	2017 £'000	2016 £'000
0-30 days	9,007	7,427
30-60 days	3,233	2,046
60-90 days	1,463	744
90+ days	1,958	190
Total	15,661	10,407

Movement in the allowance for doubtful debts:

	Group	
	2017 £'000	2016 £'000
Balance at the beginning of the year	915	1,235
Acquisitions	42	-
Impairment losses recognised/(reversed)	71	(320)
Balance at the end of the year	1,028	915

Ageing of impaired trade receivables:

	Group	
	2017 £'000	2016 £'000
Not past due at reporting date	-	-
0-30 days	-	-
30-60 days	-	1
60-90 days	-	-
90+ days	1,028	914
Total	1,028	915

17 Provisions

	Group	
	2017 £'000	2016 £'000
Balance at the beginning of the year	602	626
Increase in year	994	-
Provisions released during the year	-	(24)
Balance at the end of the year	1,596	602
Non-current	1,596	278
Current	-	324
Total	1,596	602

The above provision relates to a dilapidations provision based on the requirement to return leased buildings to their original condition at the end of the lease term. The provision relates to offices held under lease arrangements that expire between June 2017 and March 2027.

Notes Forming Part of the Financial Statements continued

18 Trade and Other Payables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	159	456	-	-
Amounts owed to Group companies	-	-	32,031	31,711
Taxation and social security	8,627	5,134	-	-
Contractor wages creditor	19,015	19,087	-	-
Accruals and deferred income	9,882	10,885	-	-
Provisions	-	324	-	-
Other payables	1,307	1,975	-	-
Total	38,990	37,861	32,031	31,711

19 Financial Assets and Liabilities Statement of Financial Position Classification

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

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade and other receivables				
- Loan and receivables	112,706	99,043	86,608	80,335
Cash and cash equivalents				
- Loan and receivables	5,802	7,442	-	-
Total	118,508	106,485	86,608	80,335

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

	Group	
	2017 £'000	2016 £'000
Current liabilities		
Borrowings		
- Financial liabilities recorded at amortised cost	46,090	32,455
Trade and other payables		
- Financial liabilities recorded at amortised cost	30,363	32,403
Total	76,453	64,858

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

The Group has agreed banking facilities with HSBC until October 2020 totalling £105m comprising a £75m Invoice Financing Facility and a £30m Term Loan Facility.

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

The Group has a £30m Term Loan Facility agreement with HSBC which is secured by way of a fixed and floating charge over assets of the Group. Interest is charged on borrowings at a rate of 3% over HSBC LIBOR rate.

20 Commitments under Operating Leases

At 31 July 2017 the Group had commitments to pay the following amounts under non-cancellable operating leases as set out below.

		Group	
		2017 £'000	2016 £'000
Land/buildings			
Payments falling due:	with n 1 year	2,454	1,340
	with n 1 to 5 years	7,950	5,221
	after 5 years	6,419	5,307
Other			
Payments falling due:	with n 1 year	364	300
	with n 1 to 5 years	510	316

21 Share Capital

Authorised share capital

		Company	
		2017 £'000	2016 £'000
40,000,000 ordinary shares of £0.01 each		400	400

Allotted, called up and fully paid:

		Company	
		2017 £'000	2016 £'000
31,801,000 (2016: 31,167,000) ordinary shares of £0.01 each		318	312

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

		Company	
		2017 '000s	2016 '000s
In issue at 1 August		31,167	30,922
Exercise of share options		634	245
In issue at 31 July		31,801	31,167

Notes Forming Part of the Financial Statements continued

21 Share Capital continued

Share options

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

	2017 '000s	2016 '000s	Date of grant	Exercise price pence	Exercise period	
					From	To
Zero Priced Share Option Bonus	1	1	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Opt on Bonus	1	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
Long-Term Incentive Plan Options	-	9	31/01/2012	1	30/01/2015	31/01/2022
Zero Priced Share Option Bonus	1	1	31/01/2012	1	30/01/2014	31/01/2022
Zero Priced Share Option Bonus	2	2	31/01/2012	1	30/01/2015	31/01/2022
Long-Term Incentive Plan Options	-	31	31/01/2013	1	30/01/2016	31/01/2023
Zero Priced Share Option Bonus	3	4	31/01/2013	1	30/01/2015	31/01/2023
Zero Priced Share Option Bonus	7	11	31/01/2013	1	30/01/2016	31/01/2023
Long-Term Incentive Plan Options	-	104	24/01/2014	1	24/01/2017	24/01/2024
Deferred Share Bonus	-	10	24/01/2014	1	24/01/2015	24/01/2024
Deferred Share Bonus	-	10	24/01/2014	1	24/01/2016	24/01/2024
Zero Priced Share Option Bonus	6	11	01/01/2014	1	01/01/2016	01/01/2024
Zero Priced Share Option Bonus	53	233	01/01/2014	1	01/01/2017	01/01/2024
Zero Priced Share Option Bonus	7	15	28/01/2015	1	28/01/2017	28/01/2025
Zero Priced Share Option Bonus	92	108	28/01/2015	1	28/01/2018	28/01/2025
Zero Priced Share Option Bonus	31	44	30/01/2015	1	30/01/2018	30/01/2025
Zero Priced Share Option Bonus	5	16	26/06/2015	1	26/06/2018	26/06/2025
Value Creation Plan	-	389	02/07/2015	1	18/11/2016	18/11/2021
Value Creation Plan	380	389	02/07/2015	1	18/11/2017	18/11/2021
Long-Term Incentive Plan Options	33	45	11/02/2016	1	11/02/2019	11/02/2026
Zero Priced Share Option Bonus	65	76	11/02/2016	1	11/02/2018	11/02/2026
Zero Priced Share Option Bonus	65	76	11/02/2016	1	11/02/2019	11/02/2026
Long-Term Incentive Plan Options	23	31	11/02/2016	225	11/02/2018	11/02/2026
Long-Term Incentive Plan Options	23	31	11/02/2016	225	11/02/2019	11/02/2026
Zero Priced Share Option Bonus	159	-	03/02/2017	1	03/02/2020	03/02/2027
Zero Priced Share Option Bonus	176	-	31/01/2017	1	31/01/2020	31/01/2027
Long-Term Incentive Plan Options	92	-	31/01/2017	72	31/01/2019	31/01/2027
Long-Term Incentive Plan Options	92	-	31/01/2017	72	31/01/2020	31/01/2027
Long-Term Incentive Plan Options	79	-	31/01/2017	145	31/01/2019	31/01/2027
Long-Term Incentive Plan Options	79	-	31/01/2017	145	31/01/2020	31/01/2027
Total	1,477	1,650				

During the year the Group granted share options under a zero priced share option for Executive Directors and Senior Management, and long-term incentive plan (LTIP) options for key staff. The zero priced share options were granted on 31 January and 3 February 2017 to members of staff subject to a three-year holding period and are subject to TSR, EPS and Share Price performance targets. The long-term incentive plan options were granted to staff on 31 January 2017 and are subject to two and three-year holding periods with a release price of 290 pence per share. All share options have a life of 10 years and are equity settled on exercise.

21 Share Capital continued

The movement in share options is shown below.

	2017			2016		
	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1 August	1,650	9.3	-	1,766	1.7	-
Granted	758	51.1	-	277	56.0	-
Forfeited/lapsed	(182)	31.1	-	(145)	11.0	-
Exercised	(749)	1.0	293.3	(248)	4.6	431.0
Outstanding at 31 July	1,477	30.4		1,650	9.3	
Exercisable at 31 July	83	1.0		94	1.0	

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

Exercise date	2017			2016		
	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)
18/11/2016	-	-	-	4	389	1.0
01/01/2017	-	-	-	5	233	1.0
24/01/2017	-	-	-	6	104	1.0
28/01/2017	-	-	-	6	15	1.0
18/11/2017	4	380	1.0	16	389	1.0
28/01/2018	6	92	1.0	18	108	1.0
30/01/2018	6	31	1.0	18	44	1.0
11/02/2018	7	88	60.0	19	107	46.3
26/06/2018	11	5	1.0	23	16	1.0
31/01/2019	18	171	105.6	-	-	-
11/02/2019	19	121	44.5	31	151	65.2
31/01/2020	30	347	52.5	-	-	-
03/02/2020	30	159	1.0	-	-	-
Total		1,394			1,556	

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.

Notes Forming Part of the Financial Statements continued

21 Share Capital continued

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

Date of grant		Share price on the date of grant (£)	Exercise price (£)	Volatility (%)	Vesting period (years)	Dividend yield (%)	Risk-free rate of interest (%)	Fair value (£)
28/01/2015	LTIP	5.08	0.01	16.4%	3.00	3.9%	0.7%	4.51
30/01/2015	Zero price bonus	5.08	0.01	16.4%	3.00	3.9%	0.6%	4.51
26/06/2015	LTIP	5.49	0.01	16.4%	3.00	3.9%	1.1%	4.90
06/07/2015	SIP	5.58	0.01	N/A	3.00	N/A	N/A	5.58
05/08/2015	SIP	5.81	0.01	N/A	3.00	N/A	N/A	5.81
04/09/2015	SIP	5.64	0.01	N/A	3.00	N/A	N/A	5.64
05/10/2015	SIP	5.18	0.01	N/A	3.00	N/A	N/A	5.18
03/11/2015	SIP	5.45	0.01	N/A	3.00	N/A	N/A	5.45
08/12/2015	SIP	5.43	0.01	N/A	3.00	N/A	N/A	5.43
05/01/2016	SIP	5.35	0.01	N/A	3.00	N/A	N/A	5.35
05/02/2016	SIP	5.08	0.01	N/A	3.00	N/A	N/A	5.08
11/02/2016	LTIP	4.35	0.01	21.4%	2.00	5.1%	0.4%	1.45
11/02/2016	LTIP	4.35	0.01	21.4%	3.00	5.1%	0.4%	1.45
11/02/2016	LTIP	4.35	2.25	21.4%	2.00	5.1%	0.4%	0.84
11/02/2016	LTIP	4.35	2.25	21.4%	3.00	5.1%	0.4%	0.88
11/02/2016	Zero price bonus	4.50	0.01	20.9%	3.00	4.9%	0.5%	3.88
07/03/2016	SIP	4.29	0.01	N/A	3.00	N/A	N/A	4.29
14/04/2016	SIP	4.74	0.01	N/A	3.00	N/A	N/A	4.74
10/05/2016	SIP	4.65	0.01	N/A	3.00	N/A	N/A	4.65
06/06/2016	SIP	4.25	0.01	N/A	3.00	N/A	N/A	4.25
05/07/2016	SIP	3.19	0.01	N/A	3.00	N/A	N/A	3.19
05/08/2016	SIP	3.54	0.01	N/A	3.00	N/A	N/A	3.54
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 price bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.27
31/01/2017	Zero price bonus	2.92	0.01	31.6%	3.00	7.9%	0.3%	1.51
31/01/2017	Zero price bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.23
31/01/2017	Zero price bonus	2.90	0.01	31.6%	3.00	7.9%	0.3%	1.49
31/01/2017	LTIP	2.90	0.72	37.9%	2.00	7.9%	0.2%	0.99
31/01/2017	LTIP	2.90	0.72	31.6%	3.00	7.9%	0.3%	0.86
31/01/2017	LTIP	2.90	1.45	37.9%	2.00	7.9%	0.2%	0.80
03/02/2017	LTIP	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

21 Share Capital continued

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

22 Transactions with Directors and Related Parties

During the year the Group made sales of £381,000 (2016: £370,000) to InHealth Group, which is a related party by virtue of common directorship of Richard Bradford, and sales of £863,000 (2016: £915,000) to the Waterman Group by virtue of common directorship of Ric Piper. As at the year end Waterman Group had a balance outstanding of £126,000 (2016: £85,000) and InHealth Group had a balance outstanding of £26,000 (2016: £98,000). All transactions were undertaken at an arm's length price.

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

During the year Matchtech Group (UK) Limited charged Gattaca plc £921,000 (2016: £901,000) for provision of management services. Further details of transactions with Directors are included in the Director's Remuneration Report on pages 46 to 62.

23 Financial Instruments

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

Maturity of financial liabilities

The Group financial liabilities analysis at 31 July 2017 was as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
In less than one year or on demand:				
Bank overdrafts	-	14	-	-
Working capital facility	25,693	18,939	-	-
Finance costs capitalised	(67)	(106)	-	-
Bank loans and overdrafts	25,626	18,847	-	-
Trade and other payables	30,363	32,403	-	-
Total	55,989	51,250	-	-
More than one year but less than three years				
Term loan	20,714	13,608	20,714	13,608
Finance costs capitalised	(250)	-	(250)	-
Total	20,464	13,608	20,464	13,608

Borrowing facilities

The Group makes use of working capital facilities and a term loan, details of which can be found in Note 19. The undrawn facility available at 31 July 2017 in respect of which all conditions precedent had been met was as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Expiring in one to five years	58,593	76,061	9,286	16,392

The Directors have calculated that the effect on profit of a 1% movement in interest rates would be £526,000 (2016: £450,000).

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

Notes Forming Part of the Financial Statements continued

23 Financial Instruments continued

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	
	2017 £'000	2016 £'000
US Dollar	8,097	10,120
Euro	3,503	4,802

The effect of a 25¢ strengthening of the Euro and Dollar against Sterling at the balance sheet date on the Euro/Dollar denominated trade and other receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £2,898,000. A 25¢ weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and reduced net assets by £1,928,000.

Company

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

24 Capital Management Policies and Procedures

Gattaca plc's capital management objectives are:

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

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

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

	Group	
	2017 £'000	2016 £'000
Total equity	84,702	81,614
Cash and cash equivalents	(5,802)	(7,442)
Capital	78,900	74,172
 Total equity	 84,702	 81,614
Borrowings	46,157	32,561
Overall financing	130,859	114,175
Capital to overall financing ratio	60%	65%

25 Alternative Performance Measures

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

The adjusted basis is reported excluding non-recurring items, amortisation of acquired intangibles and results from divested businesses.

2017 All amounts in £'000	Statutory basis	Non-recurring costs	Amortisation of acquired intangibles	Divested businesses	Adjusted basis
Revenue	642,365	-	-	-	642,365
Gross profit	74,708	-	-	-	74,708
Profit from operations	12,704	1,610	3,074	-	17,388

2016 All amounts in £'000	Statutory basis	Non-recurring costs	Amortisation of acquired intangibles	Divested businesses	Adjusted basis
Revenue	617,604	-	-	(172)	616,832
Gross profit	72,996	-	-	(609)	72,387
Profit from operations	15,062	2,371	3,656	408	21,497

Net debt

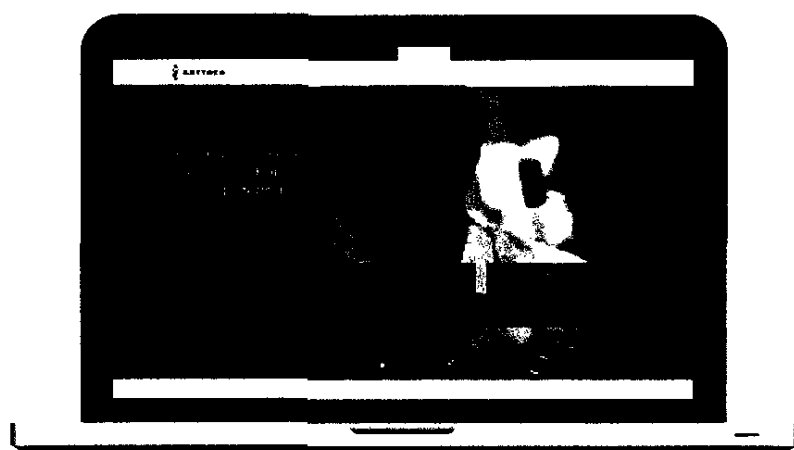
Net debt is calculated as follows:	2017 £'000	2016 £'000
Cash and cash equivalents	5,802	7,442
Bank loans and overdrafts	(46,090)	(32,455)
Net debt	(40,288)	(25,013)

26 Non-controlling Interests

The non-controlling interests relate to a 30% minority interest in Resourcing Solutions Limited. The total non-controlling interest as at 31 July 2017 was £2,222,000 (2016: £nil) which included profit in the year of £172,000 and deferred consideration of £2,050,000.

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