



20 April 2017

Gattaca plc
Interim Results for the six months ended 31 January 2017

Gattaca plc (LSE-AIM: GATC), the UK's leading specialist Engineering and Technology recruitment business, today announces its Interim Results for the six months ended 31 January 2017.

Financial Headlines

	2017 H1		2016 H1		Change		
	Statutory	Underlying ²	Statutory	Underlying ²	Statutory	Underlying ²	Constant Currency
	£m	£m	£m	£m	%	%	%
Revenue	304.2	304.2	297.9	297.1	+2%	+2%	+1%
Net Fee Income (NFI) ¹	35.4	35.4	36.5	35.9	-3%	-1%	-4%
Contract NFI	26.3	26.3	26.6	26.5	-1%	-1%	-3%
Permanent fees	9.1	9.1	9.9	9.4	-8%	-3%	-7%
Earnings Before Interest & Tax (EBIT) ²	5.5	8.0	7.0	10.1	-21%	-21%	-24%
Profit before tax (PBT) ²	5.2	7.4	6.9	9.4	-25%	-21%	-
% Contract/Permanent	74 / 26		73 / 27				
Basic earnings per share ²	10.7p	16.5p	15.4p	21.9p	-31%	-25%	
Diluted earnings per share ²	10.5p	16.1p	14.8p	20.9p	-29%	-23%	
Interim dividend	6.00p		6.00p				
Net debt (Jan 17 v Jul 16)	£27.9m		£24.8m				

¹ NFI is calculated as revenue less contractor payroll costs; Underlying results exclude the trading of divested businesses (2017: £nil; 2016: £0.6m)

² Underlying results exclude the trading and net proceeds of divested businesses (2017: £nil; 2016: £0.3m loss) amortisation of acquired intangibles (2017: £1.4m; 2016: £1.8m) and integration and restructuring costs relating to the Networkers and Resourcing Solutions acquisitions (2017: £1.1m; 2016: £0.9m), exchange gains from balance sheet conversion (2017: £0.3m; 2016: £0.6m), refer to Note 9 to the Financial Statements for more details.

Operational Headlines

- Statutory NFI down 3% and Underlying NFI down 4% in constant currency
- Engineering NFI down 4% in constant currency
 - Engineering Technology (+20%) and Aerospace (+14%) offset by other sectors
 - Engineering UK contract NFI remains resilient at 40% of the Group despite challenging environment post EU Referendum in June 2016
- Technology NFI down 5% in constant currency
 - IT restructuring continues to improve performance with a return to growth expected in H2
 - Telco (50% of Technology NFI) restructured to reduce dependence on its largest clients
- Overheads up 3% in constant currency (£0.8m), resulted in underlying EBIT down 21%
 - Savings in UK sales staff costs (commission/bonus/share scheme) offset by investments in international sales and business development to drive future growth
 - Investments in increased office capacity in London, Dallas and China
 - One-off cost overruns of c.£0.7m relating to London office, entity set-up costs to support large pan-European mandate and delays in back-office synergies
- Integration of Networkers now complete, final integration costs incurred in H1
- As announced on 13 April 2017 profits for FY2017 are anticipated to be approximately 10-15% below the Board's previous expectations
- Interim dividend maintained – dividend policy remains target cover of 2.0x over cycle

Commenting on the results, Brian Wilkinson, Chief Executive of the Group said:

“As previously announced, performance in the first half of the financial year reflects the tougher UK trading conditions post the EU Referendum in June 2016. The softening in NFI in the first half was driven by near term uncertainty which led to elongated hiring decisions and some projects being delayed; however, the medium-term outlook in our sectors remains positive with some signs of a return of confidence in recent weeks.

“The reduction in NFI has coincided with investments made in growing our international headcount and ensuring that the Group has the infrastructure to build a truly scalable business. Unanticipated one-time cost overruns and delays in realisation of back office cost savings have also impacted profitability in the period.

“Given the opportunities we see, the Group has continued to strategically invest in overseas sales headcount, up 26 since 31 July 2016 and we expect to see a return on these investments during the second half and beyond.

“In line with our vision to become the leading specialist Engineering and Technology recruiter, the acquisition of Resourcing Solutions Limited on 2 February 2017 has significantly strengthened our capability in the UK Rail market, an area of high investment by the government.

“With the integration of Networkers complete, we now intend to consolidate our central cost base, whilst maintaining the structure and support we have built and to convert the sales opportunities we see into growth over the short and medium term.”

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Operational Performance

NFI performance for the Group in H1 2017 was down by 4% in constant currency to £35.4m.

Underlying Group NFI	2017 H1	2016 H1	Change	Change ¹ CC
	£m	£m	%	%
Contract NFI	26.3	26.5	-1%	-3%
Permanent Fees	9.1	9.4	-3%	-7%
Total NFI	35.4	35.9	-1%	-4%

¹ Constant Currency basis

Engineering (60% of Group NFI)

Underlying Engineering NFI	2017 H1	2016 H1	Change	Change ¹ CC
	£m	£m	%	%
Contract NFI	15.3	15.3	+0%	0%
Permanent Fees	5.8	6.4	-9%	-12%
Total NFI	21.1	21.7	-3%	-4%

¹ Constant Currency basis

Engineering's NFI was down by 4% in constant currency to £21.1m.

After a challenging period in the UK following the EU Referendum in June 2016, there are some recent signs of improving confidence.

There was continuing progress in our Engineering Technology sector, with contract NFI up 20%, where the convergence of Engineering, IT and Telecom skills sets continues. Engineering clients from the Automotive, Aerospace and Defence sectors have increasing needs for Software, Systems and Electronics Engineers. The significant growth in demand for contractors in particular reflects the high volume of requirements and the shortage of candidates that exist in the market. Gattaca is uniquely placed to satisfy this demand with strong brands and specialist presence in both Engineering and Technology.

The Aerospace sector continues to perform well with NFI up 14%, driven by strong demand from OEMs and their supply chains which we have successfully targeted in recent years.

In Infrastructure NFI in H1 was down 4% and whilst this business in the UK is benefitting from high demand for engineering staff in the private sector, especially across Highways Design and the Water industry, some funding constraints in the public sector have resulted in certain projects being delayed in Highways Site and Rail. That said, with several major projects having been confirmed by the Government, the division is in a strong position as this work starts to come through. This positioning is being replicated in the US with investments in offices and sales staff made in H1 2017 expected to start to deliver NFI growth on the back of major planned infrastructure upgrades.

Within Maritime, NFI fell by 18%. The withdrawal of supply to some UK defence projects was partly offset by an increase in contractors on the Offshore Patrol Vessel and Type 26 programmes. Contractor numbers continue to recover and this will accelerate towards the end of this calendar year with the planned work on the Queen Elizabeth Aircraft Carriers. Internationally we are well positioned to capitalise on some major ship building projects in North America.

In Automotive NFI was down 14% where we have increased fulfilment and contractor numbers with our major clients, albeit at lower margins, but have seen a reduction in contingent business and permanent placements. With demand for UK manufactured cars and components continuing to grow, together with innovation in technology for electric and hybrid vehicles, we expect to redress this trend in the next 12 months.

In Energy NFI was down 8%. Transmission & Distribution and Renewables remain our core growth markets, offset by continued lower demand in the oil and gas industry. We continued to invest in the Renewables sector, with demand buoyant across both offshore and onshore wind programmes across the UK and Europe. In Transmission & Distribution we continue to see extensive upgrades being carried out across Europe, whilst in the nuclear sector we are anticipating opportunities as key projects come online, in particular Hinkley Point C.

In Asia we now have a team of sales people in Kuala Lumpur under the Matchtech brand, promoting our Engineering recruitment services and building a strong pipeline. Post period end, we have also established a team in China to roll out the Matchtech brand. Encouragingly, Engineering placements have been made in the first weeks of trading.

Gattaca's Solutions business, which offers consulting services around clients' employer brands, has won new contracts in the first half of 2017 which we expect to start to contribute in the second half.

Technology (40% of Group NFI)

Underlying Technology NFI	2017 H1	2016 H1	Change	Change ¹ CC
	£m	£m	%	%
Contract NFI	11.1	11.2	-1%	-7%
Permanent Fees	3.2	3.0	+7%	0%
Total NFI	14.3	14.2	+1%	-5%

¹ Constant Currency basis

Technology's NFI was down 5% in constant currency to £14.3m.

As with Engineering, UK Technology has been impacted by the outcome of the EU Referendum in June 2016, but there are signs of some confidence returning.

The strategy of refocussing on niche markets implemented within our IT business in the middle of last financial year continues to take effect, resulting in NFI down 5% in constant currency, with a return to growth expected in the second half of the year.

In the UK during H1 2017 we delivered NFI growth in our Cloud, Cyber Security, ERP contract businesses, offset by weakness in IT Leadership perm, Digital Development and by a reduction in our Corporate accounts business.

The growth in Cloud infrastructure and applications globally is very evident and we have started to experience an increase in the contractor base, complemented by a steady improvement in the volume of permanent opportunities.

Our investment into our embryonic Cyber Security team is starting to gain traction as we build our capability in this high-profile area.

After a difficult couple of years our ERP business has stabilised and delivered 10% growth in the period within the Oracle and SAP contract resource market where we support consultancies and end users.

Our Leadership business is focussed on the increasing need for management staff within Change and Digital transformation. We have seen 14% growth in our contract NFI in H1 and this is set to continue in H2 2017, partially offset by a reduction in permanent placements.

The Digital Development team was heavily reliant on a couple of contract clients that have reduced demand significantly but we have seen growth in permanent roles. We expect to return to sequential growth in the contract business in the second half.

Corporate accounts were down 6% largely driven by the impact of the introduction of price caps in some of our NHS contracts.

The acquisition of Networkers enabled Gattaca to acquire an international Technology business, thereby reducing its dependence on the UK economy. However, this business was highly dependent on a small number of telecoms vendor clients which can in turn lead to a high degree of volatility, driven by changes in those clients' workloads. Telco NFI was down 5% in constant currency.

Having analysed the market and restructured our IT business, during H1 we turned our attention to our Telco business, which comprises around half of our total Technology business. Once again taking a market segmentation approach we have identified the sub-niches that we are best placed to address in this division. We have now organised our teams around the following categories: Network Infrastructure; Operating and Billing Support Systems (in each of which we have legacy strength and good candidate pools); the Connected World and Research and Development.

Network Infrastructure was down 16% in constant currency, partly due to the changing nature of the skillsets increasingly being sourced. This is reflected in the strong growth shown in the Operating and Billing Support Systems team which grew NFI by 22% in constant currency.

The new teams' focus on the Connected World and R&D are already having success, growing NFI by 31% in constant currency, as they bring their experience supporting large system integrators and vendors to the SME market. In this area margins are attractive and barriers to entry tend to be lower due to lack of legacy relationships and embedded recruitment systems.

As a natural complement to all our specialist Technology teams, we have recently established a Technology Sales business to support our Technology clients with the need for sales staff at a senior level. Whilst this is in its infancy, we are experiencing strong demand particularly within growing start-up disruptive technology organisations.

During the first half of 2017 we have invested in 26 additional sales people in our overseas locations to build scale and to enable us to significantly diversify our client base. With the sales force headcount investment made we are now starting to see a return on this spend coming through. We have increased the number of contract and permanent accounts and are seeing the decline in Telco offset to some extent by the improvement in IT and Engineering internationally.

For example, in the Americas we increased the number of active contract clients from less than five at the time of the acquisition of Networkers in April 2015 to more than twenty, significantly increasing contractor numbers and have secured substantial retained permanent business to be billed in the second half of 2017.

Integration of Networkers

The integration of Networkers is now complete. As previously reported, annual cost synergies will total £3.1m with £1.8m reinvested in the business. The final costs relating to the Networkers integration in the period were £0.6m higher than previously expected at £1.1m, mainly due to delays in the back office integration and additional redundancy costs.

Financial Overview

Revenue for the period was up 2% to £304.2m (2016 H1: £297.1m).

NFI was down 3% to £35.4m (2016 H1: £36.5m). Contract NFI was down 1% to £26.3m (2016 H1: £26.6m). Contract margins fell slightly to 8.9% (2016 H1: 9.2%). Permanent recruitment fees were down 8% to £9.1m (2016 H1: £9.9m).

EBIT was £5.5m (2016 H1: £7.0m), down 21%, and profit before tax was down 25% to £5.2m (2016 H1: £6.9m).

On an underlying basis EBIT was £8.0m (2016 H1 £10.1m). Refer to Note 2 to the Financial Statements for more details.

The following table shows the movements between 2017 H1 and 2016 H1 EBIT.

	£m
2016 H1 underlying EBIT	10.1
Engineering UK NFI	(0.8)
Technology UK NFI	(0.3)
International NFI (constant currency)	(0.5)
Sales staff costs UK: commission, bonus & share scheme costs	1.0
Investment in international sales headcount	(0.9)
Investment in business development & client services	(0.3)
Establishment: increased office capacity London and overseas	(0.3)
Other overheads	0.4
One off cost overruns: incl. London office, Europe entity set-up & delayed synergies	(0.7)
Foreign exchange gain on NFI	1.1
Foreign exchange costs overseas operations expenses	(0.8)
2017 H1 underlying EBIT	8.0

The effective rate of tax for the period was 35.5% (2016 H1: 31.5%); the increase was mainly due to irrecoverable withholding tax on some cross-border business and differentials between UK and overseas tax rates, partly offset by the reduction of the UK standard rate of corporation tax to 19.7% (2016: 20.0%).

Basic earnings per share were down 31% to 10.7p (2016 H1: 15.4p) and diluted earnings per share were down 29% to 10.5p (2016 H1: 14.8p).

Debtors, Cashflow and Net Debt

Net debt at the end of the period was £27.9m (31 July 2016: £24.8m).

Debtor days at the end of the period were 52 (31 January 2016: 49; 31 July 2016: 50).

Capital expenditure for the period was £0.9m (2016 H1: £0.2m), largely related to office fit out/refurbishment costs and new software.

As at 31 January 2017 the Group had £105m of committed facilities with HSBC Bank until October 2020, consisting of a Confidential Invoice Discounting ("CID") facility of £75m and a Revolving Credit Facility of £30m.

Dividend

The Board has today declared an interim dividend of 6.00 pence per share (2016: 6.00 pence) to be paid on 16 June 2017 to shareholders on the register at 26 May 2017.

Risks

The Board considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation were disclosed on pages 18 and 19 of the Annual Report for the year ended 31 July 2016.

Notwithstanding that no new key risks have been identified in the period, we continue to manage a number of potential risks and uncertainties - many of which are common to other similar businesses - which could have a material impact on our longer term performance.

Outlook

The continuing shortage of Engineering and Technology skills will lead to increased demand from our clients as their projects move through the delivery cycle. Gattaca, with its Matchtech and Networkers brands, is now a highly specialised business focussed on Engineering and Technology recruitment solutions. Our investment in the international network is now paying off as we accelerate the introduction of our mainstream services to our global customers, in-line with our strategy. Investment in headcount is continuing outside the UK as we aim to build market share and develop international into a substantial part of our operations.

As announced on 13 April 2017, the Board has reviewed its outlook for the remainder of the year to 31 July 2017 and now believes that profits for the year will be approximately 10-15% below its prior expectations.

Performance in the first half of the year reflects the tougher UK trading conditions post the EU Referendum vote. The softening in NFI in the first half was driven by near term uncertainty which led to elongated hiring decisions and some projects being delayed; and is expected to continue into the second half, however the medium-term outlook in our sectors remains positive with some signs of a return of confidence in recent weeks. However, we await to see whether the announcement of a UK General Election in June will have any impact on confidence or delay investment decisions.

One-time cost overruns relating to the setting up of international entities to support a pan-European contract win and delays in realisation of back office cost savings will result in our central overheads exceeding our expectations for the second half. Alongside this we have been making the appropriate investments to ensure that the Group has the infrastructure to build a truly scalable business. Given the opportunities we see, the Group has continued to strategically invest in sales headcount, up 26 since 31 July 2016 and we expect to see a return on these investments during the second half and beyond.

With the integration of Networkers now complete, we intend to consolidate our central cost base, whilst maintaining the structure and support we have built and to convert the sales opportunities we see into growth over the next few years.

Brian Wilkinson

Chief Executive Officer
20 April 2017

Cautionary Statement

This announcement has been prepared for the shareholders of the Company, as a whole and its sole purpose and use is to assist shareholders to exercise their governance rights. The Company and its directors and employees are not responsible for any other purpose or use or to any other person in relation to this announcement and their responsibility to shareholders shall be limited to that which is imposed by statute.

This announcement 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 and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ from those currently expected. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 31 January 2017

	Note	6 months to 31/01/17 <i>unaudited</i> £'000	6 months to 31/01/16 <i>unaudited</i> £'000	12 months to 31/07/16 <i>audited</i> £'000
Revenue	2	304,211	297,907	617,604
Cost of Sales		(268,843)	(261,450)	(544,608)
GROSS PROFIT	2	35,368	36,457	72,996
Administrative expenses		(29,921)	(29,504)	(57,934)
PROFIT FROM OPERATIONS		5,447	6,953	15,062
<i>Profit from operations before amortisation of acquired intangibles and non-recurring costs</i>	2	<i>7,979</i>	9,669	21,089
<i>Amortisation of acquired intangibles</i>	2	<i>(1,432)</i>	(1,828)	(3,656)
<i>Non-recurring costs included within administrative expenses</i>	2	<i>(1,100)</i>	(888)	(2,371)
Profit on disposal of subsidiary		-	58	58
Finance income		278	571	1,025
Finance costs		(559)	(649)	(1,076)
PROFIT BEFORE TAX		5,166	6,933	15,069
Taxation	3	(1,833)	(2,182)	(5,152)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		3,333	4,751	9,917

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

EARNINGS PER ORDINARY SHARE

		pence	pence	pence
Basic	5	10.7	15.4	32.1
Diluted	5	10.5	14.8	31.0

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 January 2017

	6 months to 31/01/17 <i>unaudited</i> £'000	6 months to 31/01/16 <i>unaudited</i> £'000	12 months to 31/07/16 <i>audited</i> £'000
PROFIT FOR THE PERIOD	3,333	4,751	9,917
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations	419	(44)	835
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	419	(44)	835
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	3,752	4,707	10,752

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 January 2017

	Note	31/01/2017 <i>unaudited</i>	31/01/2016 <i>unaudited</i>	31/07/2016 <i>audited</i>
ASSETS		£'000	£'000	£'000
Non-Current Assets				
Intangible assets	6	47,059	50,183	48,371
Property, plant and equipment		1,532	1,290	1,125
Deferred tax assets		737	1,253	969
		49,328	52,726	50,465
Current Assets				
Trade and other receivables	7	100,587	89,804	100,811
Cash and cash equivalents		6,423	9,071	7,442
		107,010	98,875	108,253
TOTAL ASSETS		156,338	151,601	158,718
LIABILITIES				
Non-Current Liabilities				
Deferred tax liability		(3,597)	(4,626)	(4,286)
Provisions		(278)	(278)	(278)
Bank loans and overdrafts		(13,608)	(13,608)	(13,608)
		(17,483)	(18,512)	(18,172)
Current Liabilities				
Trade and other payables		(36,663)	(34,106)	(37,861)
Current tax liability		(1,004)	(1,845)	(2,224)
Bank loans and overdrafts		(20,760)	(20,226)	(18,847)
		(58,427)	(56,177)	(58,932)
TOTAL LIABILITIES		(75,910)	(74,689)	(77,104)
NET ASSETS		80,428	76,912	81,614
EQUITY				
Called-up equity share capital	8	316	309	312
Share premium account		8,696	8,696	8,696
Merger reserve		28,750	28,750	28,750
Share based payment reserve		2,526	2,822	2,537
Translation of foreign operations		1,234	(64)	815
Retained earnings		38,906	36,399	40,504
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		80,428	76,912	81,614

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 January 2017

	6 months to 31/01/17 <i>unaudited</i> £'000	6 months to 31/01/16 <i>unaudited</i> £'000	12 months to 31/07/16 <i>audited</i> £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation	3,333	4,751	9,917
Adjustments for:			
Depreciation and amortisation	1,901	2,389	4,776
Profit on disposal of subsidiary	-	(58)	-
Profit on disposal of property, plant and equipment	(12)	(6)	(7)
Interest income	(278)	(2)	(1,025)
Interest expense	559	80	1,076
Taxation expense recognised in profit and loss	1,833	2,182	5,152
Decrease/(increase) in trade and other receivables	224	9,093	(1,914)
(Decrease)/increase in trade and other payables	(1,400)	(3,294)	299
Share based payment charge	548	894	1,537
Cash generated from operations	6,708	16,029	19,811
Interest paid	(522)	(644)	(1,186)
Income taxes paid	(2,931)	(1,658)	(4,067)
NET CASH FROM OPERATING ACTIVITIES	3,255	13,727	14,558
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	(711)	(186)	(471)
Purchase of intangibles	(189)	(53)	(462)
Acquisitions net of cash received	-	(390)	(390)
Proceeds from sale of plant and equipment	39	19	53
Proceeds from sale of subsidiary	-	420	420
Interest received	-	2	-
NET CASH USED IN INVESTING ACTIVITIES	(861)	(188)	(850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	7	2	5
Repayment of term loan	-	(15,000)	(15,000)
Dividends paid	(5,289)	(5,031)	(6,892)
NET CASH USED IN FINANCING ACTIVITIES	(5,282)	(20,029)	(21,887)
Effects of exchange rates on cash and cash equivalents	62	575	1,908
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,826)	(5,915)	(6,271)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(11,511)	(5,240)	(5,240)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(14,337)	(11,155)	(11,511)
CASH AND CASH EQUIVALENTS			
Cash	6,423	9,071	7,442
Bank overdrafts	(31)	(15)	(14)
Working capital facility used	(20,729)	(20,211)	(18,939)
CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT	(14,337)	(11,155)	(11,511)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 January 2017

	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
Balance at 1 August 2015	309	8,694	28,750	2,140	(20)	36,648	16	76,537
Profit for the period	-	-	-	-	-	4,751	-	4,751
Other comprehensive income	-	-	-	-	(44)	-	-	(44)
Total comprehensive income	-	-	-	-	(44)	4,751	-	4,707
Dividends paid in the period	-	-	-	-	-	(5,031)	-	(5,031)
Deferred tax movement re share options	-	-	-	-	-	(57)	-	(57)
Acquisition of non-controlling interest	-	-	-	-	-	(124)	(16)	(140)
IFRS 2 charge	-	-	-	894	-	-	-	894
IFRS 2 reserves transfer	-	-	-	(212)	-	212	-	-
Shares issued	-	2	-	-	-	-	-	2
Transactions with owners	-	2	-	682	-	(5,000)	(16)	(4,332)
Balance at 31 January 2016	309	8,696	28,750	2,822	(64)	36,399	-	76,912
Balance 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 period	-	-	-	-	-	(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)
Balance at 31 July 2016	312	8,696	28,750	2,537	815	40,504	-	81,614

Balance at 1 August 2016	312	8,696	28,750	2,537	815	40,504	-	81,614
Profit for the period	-	-	-	-	-	3,333	-	3,333
Other comprehensive income	-	-	-	-	419	-	-	419
Total comprehensive income	-	-	-	-	419	3,333	-	3,752
Dividends paid in the period	-	-	-	-	-	(5,289)	-	(5,289)
Deferred tax movement re share options	-	-	-	-	-	(201)	-	(201)
IFRS 2 charge	-	-	-	548	-	-	-	548
IFRS 2 reserves transfer	-	-	-	(559)	-	559	-	-
Shares issued	4	-	-	-	-	-	-	4
Transactions with owners	4	-	-	(11)	-	(4,931)	-	(4,938)
Balance at 31 January 2017	316	8,696	28,750	2,526	1,234	38,906	-	80,428

Notes forming part of the financial statements

1 The Group and Company Significant Accounting Policies

i The Business and Address of the Group

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

ii Basis of Preparation of the Financial Statements

These interim condensed consolidated financial statements are for the six months ended 31 January 2017. They have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 July 2016. The comparative figures for the financial year ended 31 July 2016 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements ('the interim financial statements') have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 July 2017 or are expected to be adopted and effective at 31 July 2017.

These financial statements have been prepared under the historical cost convention. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed interim financial statements. A summary of the principal accounting policies of the group are set out below.

iii Going Concern

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

iv New Standards and Interpretations

These following standards and amendments to existing standards are applicable for the period ending 31 January 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 1	Presentation of Financial Statements	1 January 2017
IFRS 12	Interests in Other Entities	1 January 2017

The adoption of the above standards has had no material impact on the financial statements.

New Standards in Issue, Not Yet Effective

The following relevant standards, amendments to existing standards and Interpretations, which are new and yet to become mandatory, have not been applied in the Group financial statements.

Standard		Effective date (Annual periods beginning on or after)
IAS 7	Statement of Cash Flows	1 January 2018
IAS 12	Income Taxes	1 January 2018
IFRS 2	Share Based Payments	1 January 2019
IFRS 9	Fair Values	1 January 2019
IFRS 15	Revenue	1 January 2019
IFRS 16	Leases	1 January 2020
IFRS improvements	Various	Various

The Board needs to complete its assessment of the impact of the above new standards. However, based on the Group's current business model and accounting policies, the Directors do not expect material impacts on the figures in the Group's financial statements when the interpretations become effective.

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

v Basis of Consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the Statement of Financial Position date. Subsidiaries are entities 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.

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

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

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

Customer relationships

Acquired customer relationships comprise principally of existing customer relationships which may give rise to future orders (customer relationships), and existing order books (backlog orders). Acquired customer relationships are recognised at fair value at the acquisition date and have a finite useful life. Amortisation of customer relationships is amortised in line with the expected cashflows. Acquired customer relationships are stated at cost less accumulated amortisation and impairment. Backlog orders are recognised at fair value at the acquisition date and amortised in line with the expected cash flows. Backlog orders are stated at cost less accumulated amortisation and impairment. Customer relationships are amortised over their useful economic life of between 2 and 10 years.

Trade names and trademarks

Trade names and trademarks have arisen on the consolidation of acquired businesses and are recognised at fair value at the acquisition date. Where trade names and trademarks are considered to have a finite useful life, amortisation is calculated using the straight line method to allocate the cost of trade names and trademarks over their estimated useful lives. Where trade names and trademarks are considered to have an indefinite useful life, they are not subject to amortisation; they are tested annually for impairment and when there are indications that the carrying value may not be recoverable, detailed within the impairment of non-financial assets section below. Trade names and trademarks are stated at cost less accumulated amortisation and impairment. Trade names and trademarks are amortised over their useful economic life of between 2 and 11 years.

Other

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

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

Software Licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight line method to allocate the cost of the software licences over their useful lives of between 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 if these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

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

xiii Pension Costs

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

xiv Share-based Payments

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

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

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

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

xv Business Combinations Completed Prior to Date of Transition to IFRS

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

xvi Financial Assets

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

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

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

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

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

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

xvii Financial Liabilities

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

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

xviii Financial instruments

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

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

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

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

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

Fair value hierarchy

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

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

xix Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, on demand deposits, 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 the annual general meeting prior to the balance sheet date.

xxi Foreign Currencies

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

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

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

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

xxii Equity

Equity comprises the following:

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

xxiii Alternative Performance Measures

Alternative performance measures used within the Group’s Annual Report are explained within Note 9 to the Interim Results.

xxiv Significant Accounting Estimates and Judgments

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

Critical Judgments

The judgments made which, in the opinion of the Directors, are critical in drawing up the financial statements are as follows:

Key Sources of Estimation Uncertainty

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

Impairment Loss of Trade and Other Receivables

The Group’s policy for doubtful receivables is based on the on-going evaluation of the collectability and ageing analysis of the trade and other receivables and on management’s judgments. Considerable judgment is required in assessing the

ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's receivables were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required. The carrying amounts of these assets are shown in note 7.

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 cash generating unit to which the assets are allocated. Consideration is given to the future cash flows of each cash generating unit and the discount rate applied to calculate the present value of those cash flows.

12 months to 31 July 2016

<i>audited</i>					Exchange gains from balance sheet conversion	Non-recurring items	Amortisation of acquired intangibles	Group Total
All amounts in £'000	Engineering	Technology	Underlying	Divested businesses				
Revenue	397,737	219,095	616,832	772		-	-	617,604
Gross profit	43,508	28,879	72,387	609		-	-	72,996
Operating contribution	23,583	14,640	38,223	(46)		-	-	38,177
Central overheads	(9,614)	(7,112)	(16,726)	(362)		(2,371)	(3,656)	(23,115)
Profit/(loss) from operations	13,969	7,528	21,497	(408)		(2,371)	(3,656)	15,062
Profit on disposal of subsidiary								58
Finance cost, net			(1,076)		1,025			(51)
Profit before tax			20,421					15,069
Depreciation and amortisation	877	243					3,656	4,776
Segment net assets	63,292	34,864						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 and acquired intangibles 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.

Geographical information

All amounts in £'000	Revenue			Non-current assets		
	6 months to 31/01/17	6 months to 31/01/16	12 months to 31/07/16	31/01/17	31/01/16	31/07/16
UK	273,114	267,596	562,976	48,896	52,447	49,940
Rest of Europe	365	780	1,241	-	-	-
Middle East and Africa	11,357	12,861	17,042	69	215	227
Americas	10,012	10,155	21,126	159	49	138
Asia Pacific	9,363	6,515	15,219	204	15	160
	304,211	297,907	617,604	49,328	52,726	50,465

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

3 INCOME TAX EXPENSE

Analysis of charge in the period:

	6 months to 31/01/17 <i>unaudited</i> £'000	6 months to 31/01/16 <i>unaudited</i> £'000	12 months to 31/07/16 <i>audited</i> £'000
Total income tax expense	1,833	2,182	5,152

The total tax charge is higher (31 January 2016: higher; 31 July 2016: higher) than the standard rate of corporation tax. The differences are detailed below:

	5,166	6,933	15,069
Profit before tax			
Corporation tax at average rate for the period 19.7% (31/01/16: 20.0%, 31/07/16: 20.0%)	1,016	1,387	3,014
Expenses not (chargeable)/deductible for tax purposes	(141)	266	610
Irrecoverable withholding tax	721	443	1,137
Difference between UK and overseas tax rates	132	176	400
Overseas losses not provided for	105	-	-
Adjustments to tax charge in respect of previous periods	-	(90)	(9)
Total tax charge	1,833	2,182	5,152

4 DIVIDENDS

Dividends on shares classed as equity:

	6 months to 31/01/17 <i>unaudited</i> £'000	6 months to 31/01/16 <i>unaudited</i> £'000	12 months to 31/07/16 <i>audited</i> £'000
Paid during the period			
Equity dividends on ordinary shares	<u>5,289</u>	<u>5,031</u>	<u>6,892</u>

5 EARNINGS PER SHARE

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

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

The earnings per share information has been calculated as follows:

	6 months to 31/01/17 <i>unaudited</i>	6 months to 31/01/16 <i>unaudited</i>	12 months to 31/07/16
	£'000	£'000	£'000
Profit for the period	3,333	4,751	9,917
Number of Shares	000's	000's	000's
Weighted average number of ordinary shares in issue	31,078	30,815	30,887
Effect of dilutive potential ordinary shares under option	823	1,339	1,153
	31,901	32,154	32,040
Earnings per Share			
	pence	pence	pence
Earnings per ordinary share from continuing operations:			
- Basic	10.7	15.4	32.1
- Diluted	10.5	14.8	31.0

6 INTANGIBLE ASSETS

		Goodwill £'000	Acquired intangibles £'000	Software licences £'000	Total £'000	
COST	At 1 August 2015	26,451	27,495	1,769	55,715	
	Additions	-	250	53	303	
	Disposals	(380)	-	-	(380)	
	At 31 January 2016	<u>26,071</u>	<u>27,745</u>	<u>1,822</u>	<u>55,638</u>	
	At 1 August 2015	26,451	27,495	1,769	55,715	
	Additions	23	250	189	462	
	Disposals	(380)	-	-	(380)	
	At 1 August 2016	<u>26,094</u>	<u>27,745</u>	<u>1,958</u>	<u>55,797</u>	
	Additions	-	-	255	255	
	At 31 January 2017	<u>26,094</u>	<u>27,745</u>	<u>2,213</u>	<u>56,052</u>	
AMORTISATION	At 1 August 2015	-	2,659	826	3,485	
	Charge for the period	-	1,828	142	1,970	
	At 31 January 2016	<u>-</u>	<u>4,487</u>	<u>968</u>	<u>5,455</u>	
	At 1 August 2015	-	2,659	826	3,485	
	Charge for the year	-	3,656	285	3,941	
	At 1 August 2016	<u>-</u>	<u>6,315</u>	<u>1,111</u>	<u>7,426</u>	
	Charge for the period	-	1,432	135	1,567	
	At 31 January 2017	<u>-</u>	<u>7,747</u>	<u>1,246</u>	<u>8,993</u>	
	NET BOOK VALUE	At 31 January 2016	26,071	23,258	854	50,183
		At 31 July 2016	<u>26,094</u>	<u>21,430</u>	<u>847</u>	<u>48,371</u>
At 31 January 2017		<u>26,094</u>	<u>19,998</u>	<u>967</u>	<u>47,059</u>	

The balances at 31 January 2016 and 31 January 2017 are unaudited, the remaining balances are audited.

7 TRADE AND OTHER RECEIVABLES

	31/01/2017 <i>unaudited</i> £'000	31/01/2016 <i>unaudited</i> £'000	31/07/2016 <i>audited</i> £'000
Trade receivables	98,386	87,094	98,156
Other receivables	376	389	887
Prepayments	<u>1,825</u>	<u>2,321</u>	<u>1,768</u>
	<u>100,587</u>	<u>89,804</u>	<u>100,811</u>

Included in the Group's trade receivable balance are debtors with a carrying amount of £12,899,000 (31 January 2016: £9,728,000, 31 July 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 Directors consider all trade receivables not past due to be fully recoverable.

Ageing of overdue but not impaired trade receivables:

Number of days overdue	31/01/2017 <i>unaudited</i> £'000	31/01/2016 <i>unaudited</i> £'000	31/07/2016 <i>audited</i> £'000
0-30 days	8,250	7,463	7,427
30-60 days	2,304	1,706	2,046
60-90 days	1,216	559	744
90+ days	1,129	-	190
	<u>12,899</u>	<u>9,728</u>	<u>10,407</u>

8 SHARE CAPITAL

Authorised share capital	31/01/2017 <i>unaudited</i> £'000	31/01/2016 <i>unaudited</i> £'000	31/07/2016 <i>audited</i> £'000
40,000,000 Ordinary shares of £0.01 each	<u>400</u>	<u>400</u>	<u>400</u>

Allotted, called up and fully paid	31/01/2017 <i>unaudited</i> £'000	31/01/2016 <i>unaudited</i> £'000	31/07/2016 <i>audited</i> £'000
Ordinary shares of £0.01 each	<u>316</u>	<u>309</u>	<u>312</u>

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

	'000
In issue at 1 August 2015	30,922
Exercise of share options	26
In issue at 31 January 2016	<u>30,948</u>
In issue at 1 August 2015	30,922
Exercise of share options	245
In issue at 31 July 2016	<u>31,167</u>
In issue at 1 August 2016	31,167
Exercise of share options	422
In issue at 31 January 2017	<u>31,589</u>

9 ALTERNATIVE PERFORMANCE MEASURES

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

The underlying basis is reported excluding non-recurring items, amortisation of acquired intangibles, results from divested businesses and exchange gains from balance sheet conversion.

6 months to January 2017

unaudited

All amounts in £'000	Statutory basis	Non-recurring costs	Amortisation of acquired intangibles	Exchange gains from balance sheet conversion	Underlying basis
Revenue	304,211	-	-	-	304,211
Gross profit	35,368	-	-	-	35,368
Profit from operations	5,447	1,100	1,432	-	7,979
Profit before tax	5,166	1,100	1,432	(278)	7,420

6 months to January 2016

unaudited

All amounts in £'000	Statutory basis	Non-recurring costs	Amortisation of acquired intangibles	Exchange gains from balance sheet conversion	Divested businesses	Underlying basis
Revenue	297,907	-	-	-	(772)	297,135
Gross profit	36,457	-	-	-	(609)	35,848
Profit from operations	6,953	888	1,828	-	391	10,060
Profit before tax	6,933	888	1,828	(571)	333	9,411

12 months to July 2016

audited

All amounts in £'000	Statutory basis	Non-recurring costs	Amortisation of acquired intangibles	Exchange gains from balance sheet conversion	Divested businesses	Underlying basis
Revenue	617,604	-	-	-	(772)	616,832
Gross profit	72,996	-	-	-	(609)	72,387
Profit from operations	15,062	2,371	3,656	-	408	21,497
Profit before tax	15,069	2,371	3,656	(1,025)	350	20,421

10 SUBSEQUENT EVENTS

On 2 February 2017, the Group announced the acquisition of 70% of the ordinary share capital of Resourcing Solutions Limited, a niche engineering recruitment business. The Group acquired an initial 70% for £6.9m with the remaining 30% subject to a put and call option exercisable from 12 months post-completion.

Statement of Directors' Responsibilities

The Board of Directors confirm that this condensed consolidated half year financial information has been prepared in accordance with IAS 34, as adopted by the European Union.