GATTACA

**Gattaca plc**
Annual Report
and Accounts
2020

# Delivering the skills to restart

# We exist to connect people and create valuable opportunities between them

**By providing recruitment solutions and support to clients in our chosen markets and to candidates with engineering and technology skills, we help to unleash potential in people, projects and companies.**

## Contents



For further information go to:
**www.gattacaplc.com/investors**

## Operational highlights

- Against the backdrop of the COVID-19 pandemic and periods of lockdown around the world, the Group quickly responded to ensure that operations continued seamlessly. Whilst contractor and permanent placement numbers have temporarily fallen, the Group continues to prove it is a resilient and substantial business that can operate at scale
- Delivering the skills to restart – we supported clients to ensure continuity of candidate supply which kept the essential services running during lockdown and we continue to see demand across Science, technology, engineering and maths ('STEM') skills
- Ongoing success of our Gattaca Solutions business, continuing to provide core support to a number of our major clients through challenging circumstances this year
- Significant action taken to improve liquidity, moving the Group from a net debt to a net cash position through strong working capital management
- Acceleration of the Improvement Plan – despite the impact of the pandemic we maintained our focus on our Group-wide Improvement Plan, choosing to accelerate a number of planned changes focused around improving sales impact and client service and cost reduction

## Financial highlights

### REVENUE FROM CONTINUING OPERATIONS

£538.7m

(2019 restated[1]: £634.3m)


### NET FEE INCOME[2] ('NFI') FROM CONTINUING OPERATIONS

£54.3m

(2019 restated[1]: £69.1m)


### PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

£1.4m

(2019 restated[1]: £3.4m)


### CONTINUING UNDERLYING[3] PROFIT BEFORE TAX

£4.6m

(2019 restated[1]: £11.7m)


### BASIC EARNINGS PER SHARE

-5.5p

(2019: -18.3p)


### CONTINUING UNDERLYING[3] BASIC EARNINGS PER SHARE

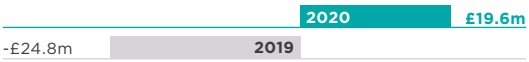
10.3p

(2019 restated[1]: 28.4p)


### NET CASH/(DEBT)

£19.6m

(2019: -£24.8m)




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

2 Net fee income is equivalent to gross profit, being revenue less cost of sales.

3 Underlying results are defined as total consolidated results less non-underlying items, amortisation and impairment of goodwill and acquired intangible assets, impairment of plant, property and equipment and right-of-use assets and foreign exchange differences.

Read our Chairman's overview of the year

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See how our business responded through the COVID-19 pandemic

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At a Glance

# Gattaca is a leading provider of engineering and technology recruitment solutions

We aim to be the number one choice for outsourced solutions and specialist recruitment in our chosen markets.

11 Offices

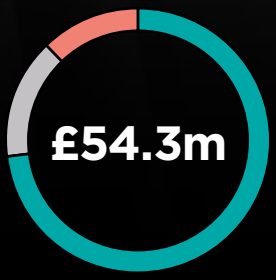
6 Countries

665 People

## GROUP CONTINUING NFI BY LOCATION


| | | |
|---|---|---|
| Americas | £5.3m | 9.7% |
| Asia | £0.0m | 0.0% |
| EMEA & UK | £49.0m | 90.3% |

## GROUP CONTINUING NFI BY SEGMENT

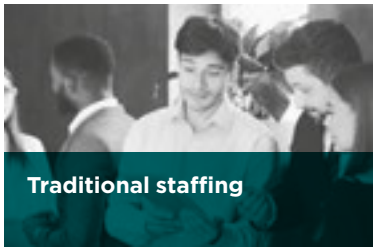



| | | |
|---|---|---|
| UK Engineering | £39.8m | 73.3% |
| UK Technology | £8.0m | 14.7% |
| International | £6.5m | 12.0% |

## CONTRACT VS PERMANENT NFI SPLIT


| | |
|---|---|
| Permanent | 27% |
| Contract | 73% |

# Our Services



## Traditional staffing

With 36 years' experience of finding flexible and permanent talent, the Group consists of a number of specialist recruitment brands including an engineering recruitment specialist (Matchtech) and a technology recruitment specialist (Networkers).

## Packaged campaigns

For critical recruitment drives, our premium service combines campaign management, regular insight and reporting, and dedicated sourcing support to meet our clients' demands. This means we take ownership of finding the people our clients need whilst they focus on their core priorities.

## Market insight reporting

Our bespoke market insight reports help our clients understand the demographics, pay, experience, diversity and availability of the candidate markets they are looking at. We offer a range of services depending on the depth of insights our clients need.

MATCHTECH

Matchtech is an engineering recruitment specialist.

NETWORKERS

Networkers is a technology recruitment specialist.

Resourcing Solutions

Resourcing Solutions is a rail engineering recruitment specialist.

BARCLAYMEADE

Barclay Meade is a professional services recruitment specialist.

ALDERWOOD

Alderwood is a STEM skills training recruitment specialist.

## Workforce solutions

We deliver total solutions to improve the quality, compliance and experience of our clients' hiring processes, for both their flexible and permanent workforces. Utilising the Group's 36 years of experience in the STEM skill market, we create innovative solutions to enhance our clients' workforce strategies, covering compliance, visibility, cost savings, quality and process efficiency. Our solutions are perfectly tailored to companies with demand from the engineering and technology skills sectors.

## Engineering & technology projects

Gattaca Projects provides professional and expert outcome-based engineering and technology support solutions.

## Talent attraction & employer branding

We help our clients attract, engage and retain talent by unlocking the potential of their employer brands. We provide a full employer branding agency service with a unique difference; we know candidate attraction inside out, especially in skill short markets.

GATTACA SOLUTIONS

Gattaca Solutions provides flexible, permanent and total workforce solutions.

GATTACA PROJECTS

Gattaca Projects provides professional, expert outsourced engineering and technology support solutions, working from our UK offices and from client sites.

Market Overview

# Understanding the trends and opportunities

**COVID-19 has impacted demand in many of our markets. It is clear that some, such as Infrastructure and Technology, will see rapid recovery and indeed growth and therefore we have increased our focus on those areas. Others, such as Mobility will be slower to recover and for these we will seek to sustain our strong market position.**

## The global staffing market

The global staffing market has shown early signs of a rebound after a challenging 2020; within this some areas have been impacted more than others, with the market dynamics changed.

As in previous recessions, contract labour demand is expected to increase as companies opt for flexibility whilst they assess their medium and long-term work pipelines. This plays to one of our core strengths, given our 73% contract focus. Permanent recruitment, which was heavily impacted globally, has begun to rebound but many companies are reporting a longer time to hire, with more hesitance around hiring. There has also been an increase in offer refusals as candidates show less commitment to moving organisations.

In the short term, the highly fragmented staffing market will consolidate as many companies shrink or fail to survive. However, in the medium term we expect to see further fragmentation as some redundant perm recruiters opt to set up their own organisations.

## Our Markets

**Infrastructure**
- Highways, Traffic & Planning
- Buildings & Construction
- Rail
- Water, Fibre & Utilities

**Defence**
- Air
- Land
- Sea
- Communications

**Technology, Media & Telecoms**
- Technology
- Media & Broadcasting
- Telecommunications

**Energy**
- Renewables
- Oil & Gas
- Transmission & Distribution
- Nuclear
- Mining & Extraction

**Life Sciences**
- Pharmaceutical
- Medical

**Consumer & Logistics**
- Logistics
- eCommerce

**Public Sector**
- Central Government
- Local Government
- NHS

**Finance, Banking & Insurance**
- Banking
- Insurance
- Fintech

**Mobility**
- Aerospace
- Automotive
- Maritime & Shipping

For clients, the pressures of COVID-19 have highlighted the importance of ease of visibility, communication, cost control, compliance and digital infrastructure, and this will encourage more clients towards Managed Service Provider ('MSP') for contract labour and Recruitment Process Outsourcing ('RPO') for permanent hiring services. Company Boards needing a simple, consolidated view of their extended workforce and the ability to control this with ease, is especially relevant for contract MSP. In addition, many organisations have been forced to downsize or close their in-house recruitment function, with recruitment levels having all but stopped for many companies. Rather than invest again without confidence in the stability of demand, companies will seek to engage with a flexible partner model, one able to ramp up and down with demand that can also provide the services of a fully outsourced programme.

### Engineering and technology talent

Labour markets globally have seen a huge increase in unemployment with large volumes of people being released. However within the STEM skills market there has been a drop in demand whilst companies reassess operating processes, future workload and investment programmes.

Companies are also accelerating their digitalisation strategies in the wake of mass working from home, which is resulting in an increase in IT investment.

For a transient global candidate workforce, the limitations around mobility have meant less movement across borders by engineering and technology candidates. However, as companies begin to utilise the benefits of remote working, candidate availability for companies outside traditional 'hub' locations will result in a larger volume of opportunities to our already in-demand candidates and clients able to access a wider pool of talent.

### United Kingdom

In the UK, changes to the IR35 legislation, which created some challenges in the UK contract staffing sector in the early part of our year, have been delayed and are now due to be launched in April 2021. This change in the private sector shifts the liability for assessment of tax status from a contractor's personal service company to the client utilising the services. Companies have not necessarily used the time from the delay to better prepare themselves for the impending changes, however, the fact that many workers are now able to complete packaged assignments from a location of their choice means previously antiquated operating processes have changed.

This could result in greater scope for some contractors to demonstrate their independence and where there is greater supply than demand, may mitigate the impact of the IR35 changes in 2021.

There is still significant opportunity to grow our market share in the UK, as commitment to long-standing public-funded programmes will continue to drive growth across many of our markets, such as Defence, Infrastructure, Utilities and Energy.

### International

Our International locations have seen varying degrees of impact due to COVID-19. Countries with a higher STEM population and advanced digitalisation of business processes have shown greater resilience and quicker bounce back on demand. Much of our focus is around the Finance and Energy markets which have been impacted globally, but on the whole STEM demand has remained.

Decreased candidate mobility, as a result of travel restrictions, has meant that for some skills, such as blue collar and heavy engineering, there has been a shift in client requirements towards local candidates. In contrast, the increased capability of individuals to work remotely has increased the candidate catchment options for other white collar and technology skills, enabling us to tap into our wider talent pools for potential cross border assignments.

Chairman's Statement

# Maintaining focus whilst demonstrating resilience in unprecedented times

GROUP CONTINUING NFI
£54.3m
(2019 restated: £69.1m)

GROUP CONTINUING REVENUE
£538.7m
(2019 restated: £634.3m)

*"This year has been very different for everyone. Nothing could have prepared anyone for the scale of the COVID-19 pandemic."*

**Patrick Shanley**
Non-Executive Chairman

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

## Overview

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

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

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

## Dividend

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

## Board

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

## Outlook

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

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

**Patrick Shanley**
**Non-Executive Chairman**
3 November 2020

Investment Case

# Our objective is to be the leading provider of specialist engineering and technology staffing solutions in our chosen markets

**Defining arguments:**

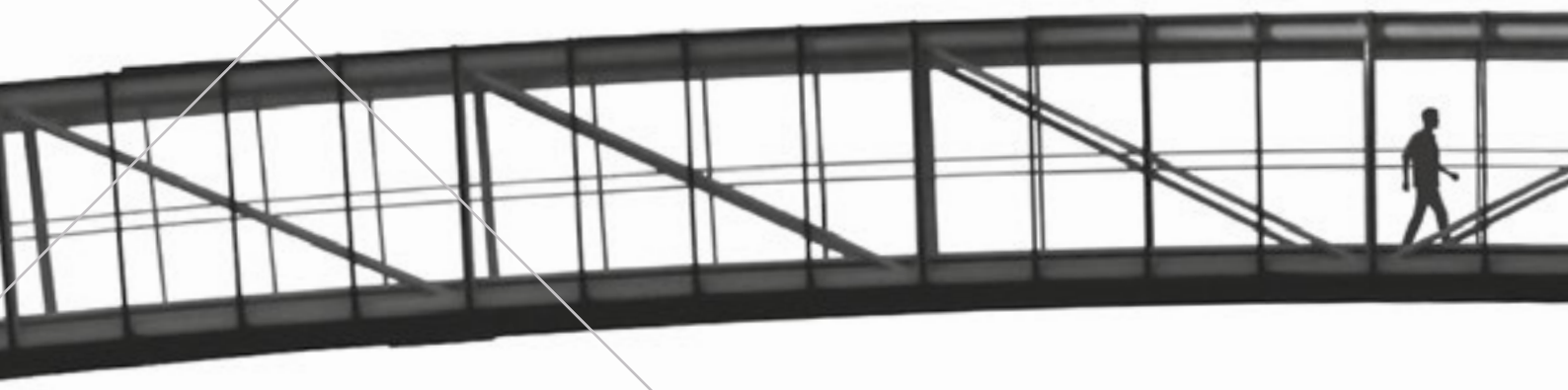
**Supporting evidence:**

**Market-leading solutions with a trusted reputation**

- A leading provider of specialised and in-demand engineering and technology skills
- Ability to deliver tailored solutions and products
- Broad client base and long-term partnerships
- Recently recognised with first time awards in:
  - HRO Today 'Bakers Dozen' as one of the top RPO providers in the EMEA region
  - TIARA Talent Solutions 'Best Candidate Experience'

**Defined, long-term high-growth markets**

- STEM skills are especially in demand across geographies and end-markets, driven by growing importance of the digital economy and the forecast emergence from a global pandemic
- Well-established and scalable UK business, with further growth and market share opportunity
- Expertise and specialist focus being leveraged internationally, particularly in the Americas where there is growth opportunity



## An established, trusted partner providing innovative solutions with clear opportunities to scale in growth markets.

### Deep expertise with revitalised leadership

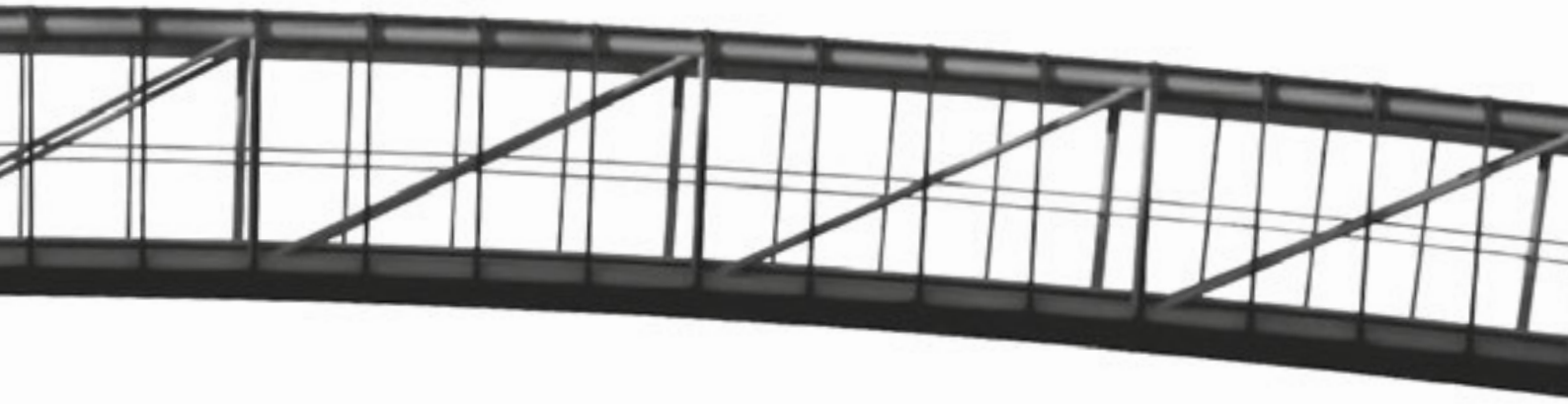
- Deep skill and market-based expertise within the business
- A motivated management team that brings fresh perspective and drive to professionalise the business
- Group-wide Improvement Plan in place and delivering accelerated performance
- Transformation under way, professionalising market approach, with rigour and clear methodology being applied to sales

### Focused growth strategy

- Cross-selling and focus on growing share of client staffing spend provides growth opportunity
- Integrated, Group-wide technology platform being implemented, maximising productivity and allowing cross-discipline working
- Investing in organic growth in geographies with clear growth prospects
- Growing and investing in Gattaca's Solutions services which embed Gattaca within client operations and deliver incremental margin improvement
- A more agile, scalable business being built

### Resilient business model

- Focused on STEM skills which will remain in-demand
- Significantly strengthened and robust balance sheet and financial resilience
- Progressively degearing
- Contract-perm NFI split of 73/27 continuing business provides more predictable and recurring revenues
- A growing Gattaca Solutions business, further increasing quality of revenue
- Core focus of the business is contract placements which provides resilience but the permanent placement market provides further growth opportunity



# Strategic Report



Chief Executive Officer's Review

# Continued progress throughout the year

CONTINUING UNDERLYING PROFIT BEFORE TAX
£4.6m
(2019 restated: £11.7m)

## This year's highlights

- We have navigated the pandemic, supporting our clients, candidates and people, proving ourselves to be a resilient business

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- Continued success of our Gattaca Solutions business, as it was recognised for the first time through industry awards

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- We accelerated the Improvement Plan, focussing our approach and reducing cost

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- We took decisive action to strengthen our balance sheet

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# We are positioned well to support our clients with the critical STEM skills needed for recovery.

## Introduction

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

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

## Overall market

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

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

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

## Operational response to the COVID-19 situation

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

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

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

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

We took a number of actions to ensure the ongoing financial stability of the business, both in terms of cost mitigation and liquidity maximisation.

The furlough scheme introduced by the UK Government was welcomed and enabled us to support employees and some contractors whose roles would otherwise have been at immediate risk. We moved early to work proactively with clients to offer furlough support to contractors where this was possible.

# Chief Executive Officer's Review continued

## Accelerating the Improvement Plan and cost reduction

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

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

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

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

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

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

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

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

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

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

We also implemented a number of other technology applications during the year to improve our client, candidate and staff experience. We integrated a new digital platform for our Gattaca Solutions accounts that brings greater automation, increased flexibility and enables us to implement new solutions quicker.

Penlon

*"The service that Matchtech provided was essential in ensuring we could get the people needed to ensure we could get the ventilators to the hospitals as quickly as possible."*

We continue to invest in tools to support our operations introducing new applications to support real time communication, collaboration, digital coaching and training and development to create an efficient and engaging digital workplace.

In combination with the above actions aimed at driving agility and promoting growth throughout the Group, we also undertook measures to reduce costs in the business. Post period end we completed a restructuring which will achieve £4.0m in annualised cost reductions from November 2020.

## People

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

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

## Looking forward

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

**Kevin Freeguard**
**Chief Executive Officer**
3 November 2020

## Supplying essential ventilators

In March 2020, medical device company Penlon proudly stepped up to make ventilators that were vitally needed to save lives during the pandemic. Historically, the UK did not manufacture a suitable critical care ventilator and established international providers were struggling to cope with their own domestic demand. Penlon responded to the UK Government's 'call to arms' for support and joined a consortium of businesses to produce ventilators. In April 2020, the UK Government placed an order for 15,000 Penlon ESO 2 Emergency Ventilators.

In a matter of days, Penlon successfully transformed their company from a daytime batch production business to a 24/7 operation, providing technical back-up to the consortium manufacturing sites and taking on the important role of testing and quality checking the ventilators before despatch to the NHS.

We quickly responded by establishing a 24-hour support team that worked around the clock to provide Penlon with the contractors needed to test the ventilators as rapidly as possible to ensure the ventilators could reach hospitals throughout the UK. This entailed sourcing, screening and placing a workforce of contractors during the height of the UK lockdown.

# The Improvement Plan

Aligned to our strategic pillars, the Improvement Plan, launched last year, was about taking the fundamental strengths of the business and evolving them to deliver long-term sustainable growth.

The business was organised and united around delivering the Plan. We implemented four key workstreams in order to grow our customer base and deepen relationships, innovate and develop products to meet needs, enhance our service delivery capability and improve organisational alignment and performance.

## Sell to a market

### Customer focus

**Strategic priority**

- Growing the customer base, deepening customer relationships

**What we said we would do**

- Create an aligned go to market plan with consistent execution
- Sell the full range of our products to our existing customer base and implement a structured approach to new client acquisition
- Focus on markets that offer significant, scalable and sustainable profit potential

**What we did**

- Focused on extending our services to a wider range of new clients by aligning around a targeted market approach. We implemented a cross-sector engagement campaign across our customer base, as well as a dedicated strategy for lapsed clients. For new clients, we began targeting companies we had not previously worked with through a structured sales approach
- Launched a sales enablement hub with self-serve access to all sales and marketing collateral, ensuring our sales staff can sell our full range of products in a consistent way
- Enacted a new sales and marketing methodology that aligned the capabilities we have across the Group to our talented networks and partnerships externally. We launched an Insights and Knowledge hub and built a calendar of events and webinars, enabling us to support clients in making informed business decisions, targeted at workforce management within the STEM market
- We focused sales and marketing efforts on our well-established markets that continue to show growth potential such as Infrastructure, Technology and Defence, whilst also reacting quickly to align to new fast growing areas as they emerge, such as sourcing skills for fibre implementation
- All International operations have been aligned to our markets and we have created a global market approach enabling more effective international client acquisition through leveraging the capability we have in the UK

**Priorities for next year**

- There is still more progress to be made in embedding our more targeted market approach. The priority for 2021 will be to target new client acquisitions and deepen existing relationships through the new sales and marketing approach by continuing to build out and promote our suite of resources, insights and events for lead generation
- Continuing to maximise and build our position in the high growth STEM market across all our geographies, whilst growing our understanding of current market trends and skills shortages in order to flex and respond to new growth services and skills demands
- Continuing to strengthen the Technology business using our structured market approach to help us support a wider range of companies requiring technology skills

# Accelerating our transformation

*"Despite the impact of the COVID-19 pandemic, the Board and I maintained our focus on our strategy, choosing a number of measures to strengthen the business including the acceleration of the Improvement Plan."*

**Kevin Freeguard**
CEO

## Add value by product

### Product & innovation

- Innovating and developing products to meet customer needs

- Enhance customer focused product offerings
- Extend our outsourcing capability
- Further develop business models and partnerships

- Took Gattaca Project's service offering into new markets and increased the scale of the project work it completes, resulting in winning our largest statement of work project to date
- Continued to evolve our core product offering in line with market and customer needs, for example:
  - From April 2021, private sector organisations will need to comply with IR35 reforms, or face substantial risk and cost. We launched an IR35 hub on our website which included an assessment tool and free consultations
  - We continued to grow our Employer Branded Services offering, supporting customers in building their employer brands, employer value propositions, and attraction, engagement and retention of candidates
- Integrated a new digital platform for Gattaca Solutions accounts, enabling us to improve the customer experience and embed new solutions faster, and extended our Gattaca Solutions service offering and geographical coverage further into the US
- Launched our Associate network, our community of experienced professionals with proven experience across a broad spectrum of industries and customer 'pain points'
- We continue to maintain and build partnerships and affiliations that support our business model and market presence, such as working with Women into Construction and being appointed as an Executive Network member of the Institute for Collaborative Working ('ICW'), a key partnership as collaboration is at the heart of our purpose

- Further leveraging UK product capability to access new revenue lines in our International operations
- Take on further outsourcing responsibilities within our current client base to develop partnerships, ensuring we drive appropriate solutions into the marketplace in a timely manner to capitalise on any opportunities
- Utilise our sales and marketing approach to gain further insights from our customers on their 'pain points', combined with our knowledge of market trends and future economic challenges, to drive innovation throughout our product range

# Expert fulfilment by skill

## Service delivery

**Strategic priority**

- Enriching the customer experience and enhancing our service delivery capability

**What we said we would do**

- Enhance our scalable and agile delivery model for clients with dedicated Fulfilment expertise
- Improve talent engagement capability
- Create common Group methodology
- Deliver the best client and candidate experience

**What we did**

- We continued to expand and scale our Fulfilment operations, reorganising the business to form a core dedicated delivery capability servicing all of our locations. This has enabled us to be agile to client and market needs by creating scale and pace when needed whilst reducing our time to hire and cost to serve
- Created a more customer-centric common methodology for Fulfilment which has streamlined delivery and deepened relationships with key clients. Ensured consistency of service, improving the efficiencies of our staff whilst maintaining high standards of delivery for both clients and candidates
- Worked with clients to improve their candidate experience. We mapped their candidate journeys and implemented improvements, ranging from small well-placed interventions to redesigning the whole process to ensure candidate pipelines were nurtured and engaged throughout the entire talent journey. Since the year end, our Gattaca Solutions won 'Best Candidate Experience' at the Talent International Annual Recruitment Awards (TIARA) for our work on reinventing the candidate experience for one of our clients
- Our new single end-to-end technology platform has remodelled and enhanced many of our own candidate and client experiences. Contractors will be able to on-board, manage their timesheets, expenses, holiday quotas and payslips via a single sign-on. Clients will also receive an improved digital journey, saving them time and increasing their visibility of their recruitment activity. This is being rolled out to all areas of the business by the end of our 2021 financial year
- Implemented a number of digital tools that enhance both the client and candidate experience as well as increase our response rates. These include products that help candidates to research the company they are interviewing for, to record their own video applications and host live virtual interviews

**Priorities for next year**

- Further evolution and growth of our Fulfilment operations, to cultivate more clients, markets and skills to continue the expansion of our delivery capability
- Embed and optimise investment from this year. Once all areas of the business are on our new technology platform, iteratively refine new business processes and continue to optimise them. Research and invest in further improvements to the candidate and client journeys

# Collaborative high performing culture

## Operational excellence

- Improving organisational alignment and performance

- Aligned our operating model and organisational structure to enable the business to scale
- Find, develop and retain great people
- Implement our single end-to-end technology platform
- Build common processes across the Group

- We continued to implement the fundamentals of the Improvement Plan to maximise on the efficiencies gained from our organisational alignment, making sure that we were evaluating and developing our people so they were playing to their strengths, ensuring the best sales people sell, the best account managers deliver excellent customer experiences, and we have subject matter experts in our support functions
- Appointed a new HR Director with a wealth of operational recruitment sales experience
- Redesigned a recruit and retain programme including building a joiner community to ensure new starters have an excellent experience
- Developed a new Sales Academy and implemented a digital coaching platform that identifies individual needs in real time, in addition to a new digital staff development and training portal
- Despite the economic pressures of the pandemic we have maintained investment and development of our single end-to-end technology platform, due to be implemented in 2021. This entails a major technology refresh of front end and back end internal systems
- Part of our new technology transformation has included updating and mapping all our business processes. This will give us a more consistent and efficient way of working, ensure productivity levels are maximised as well as improving our customer journeys

- Continue to evolve our people strategy to suit the current climate, ensuring effective remote working, digital learning and development, reward, recognition and wellbeing whilst maintaining a high performance culture. Implementation of a new platform for the monitoring and continuous improvement of staff engagement, so that we can utilise regular actionable insights to adapt our people strategy over time
- Complete the implementation of our single end-to-end technology platform and ensuring we exploit the full benefits. One global platform will provide an instant and consistent view across all Group trading activities at any given time, enabling us to utilise this single source of data to manage the business in a forward-looking way. Utilise real time, transparent reporting at an individual level as a critical enabler for the business, to support with performance management and spot learning interventions
- Further improve collaboration and cross selling across the Group once all employees have access to the new internal technology platform

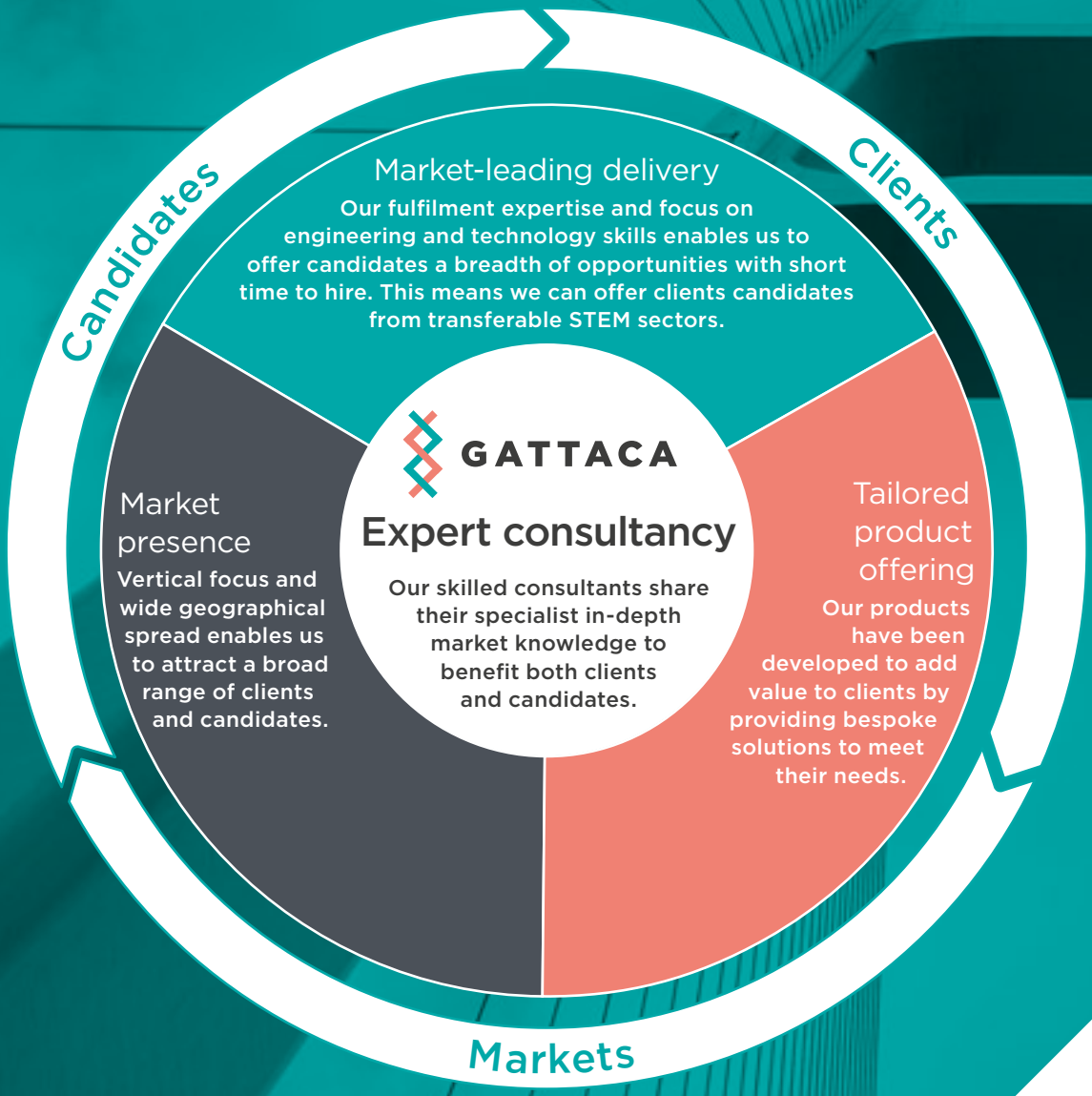
Our Business Model

# What we do

**Candidates**
In-depth knowledge of a market enables us to advise our candidates on their options and identify the best areas of fit with our clients.

**Clients**
In-depth candidate knowledge enables us to advise clients on attraction approach, location, speed, method and cost.

**Markets**
In-depth knowledge of working with start-up businesses through to multinational blue-chip giants enables us to have a complete view on the entire market.



# How we create value for our stakeholders

## For candidates

- Expanding range of career opportunities across all major markets with clients from start-ups through to multinationals
- Market experts consultants who can help STEM skill candidates transition across markets and geographies
- A great candidate experience, providing the opportunity to work with highly experienced and skilled consultants who will support them throughout their career
- Strong governance giving candidates reassurance that their data is being handled well and their employment models are compliant

**73/27**
contract vs permanent NFI split

## For clients

- Our market expertise helps us advise them on dynamics in their competitive landscape
- Our ability to quickly identify the best high-quality candidates
- Our range of especially designed services enable us to solve our clients' talent challenges, from one-time hire through to enterprise-size integrated solutions

**9**
major markets that we specialise in

## For investors

- Providing market-leading solutions with a trusted reputation
- Operating in defined, high-growth markets
- Deep expertise with revitalised leadership
- Focused growth strategy
- Resilient business model

**10.3p**
continuing underlying basic EPS

## For employees

- Strong brand reputation helping them to secure new business or identify great talent
- Career progression
- Investing in modern technological infrastructure to help them deliver
- Market-leading benefits scheme
- Training to become a successful market expert, surrounded by a positive and friendly culture

**78%**
positive engagement score

Our Business Model in Action

# Delivering the skills to restart

## Providing the skills needed to keep the world running

As some of our markets and the skills we place were deemed as frontline services through the height of the COVID-19 pandemic, it had never been so important than to utilise our networks in order to ensure the population continued to receive vital utilities. These are some of the examples of markets and projects we are proud to have supported, many of them requiring STEM skills:

### Food delivery

With the huge demand for home food deliveries one of our clients focused on expanding their technology arm to meet the demand, including automated robots for picking and placing groceries. We supported with placing talent to work on the repairs, diagnostics and maintenance in their global robots testing centre. There was also need for technology skills in distribution systems for the delivery networks to meet demand.

### COVID-19 testing

The manufacture of laboratory enclosures for COVID-19 testing has been critical to ensure that the volume of testing required each day can be completed. We supplied engineers during the peak of the virus, with continuing demand expected into 2021 as testing for the virus continues to be essential.

### Logistics & planning

COVID-19 led to an increased demand for logistics planners for emergencies services and delivery networks. We delivered a number of packages of work with public bodies to complete the planning and design for projects, such as revised bus lanes and bus stops required due to COVID-19 social distancing measures.

### Data

The use of data during a pandemic is critical. We placed technology specialists into the UK Department of Health and the NHS who worked on exploring data sets and models, producing assessments and insights into how to control the spread of COVID-19. We also supplied candidates who assured the provision of medical supplies to the Complex Case Investigation team.

### Transport networks

During the UK lockdown there was an increase in demand in rail freight roles to support the need to transport essential cargo. We provided talent into highway maintenance as a vital network that allowed timely delivery of medical supplies, equipment and medicines as well as essential food distribution.

**We provide talent that the world relies on. The candidates we source and connect with our clients are inventing, designing, installing and operating products, systems and infrastructure that improve our day-to-day lives.**

## Connectivity

With fibre and broadband services being deemed an essential utility, fibre has been one of the fastest growing areas for us in the second half of the year. Teams of individuals were needed across a range of skillsets from technical planning through to installation to ensure that people had the connectivity to continue to work at home.

## Power

Skilled engineers and technologists in the Energy market continually worked throughout lockdown and beyond, not only keeping the lights on around the world, but also installing power into crucial new buildings such as the UK Nightingale hospitals.

## Water and wastewater

Similarly, it was vital to keep the water industry running to ensure maintenance of essential services and public health. With limitations on the mobility of candidates due to lockdown and the increased number of client staff in isolation or quarantine, we continued to support our clients to find labour for such a critical resource.

## Digitalisation of learning, training and development programmes

COVID-19 led to many companies looking to accelerate their digitalisation plans, where previously they were reliant on traditional in-office training. We supported clients to rapidly design and build online training programmes for their staff, and also with the build of digital learning platforms, which was particularly important in order for companies to maintain their apprenticeships and to ensure a new tranche of apprentices could still start as planned in September 2020.

## Defence

The Defence market was one of the most stable markets in resourcing this year. The UK Government moved quickly to classify defence personnel as key workers so they could carry on to support critical projects that could not be placed on hold. With the sensitive nature of project work there was a continued need for onsite security cleared workers. We also worked with our Defence clients to define compliant security processes for new hires and on-boarding during the period of lockdown. There was an increase in demand for cyber security skills with people working outside of companies' usual security networks, and we assisted in the growth of a major cyber security client who saw increased volume of demand in the United States, supported by us via our RPO model.

Operating Review

# A positive performance in 2020

## Business Mix

Our contract business has proved more resilient in the current trading environment, with net fees down 20% in the period on a continuing basis, which is a testament to our historic strategic focus in this area. Contract now accounts for 73% (2019 restated: 71%) of Group Net Fee Income ('NFI') on a continuing basis, at £39.5m (2019 restated: £49.1m). Contract gross margin on a continuing basis was 7.6% (2019 restated: 8.2%).

Permanent recruitment, which was more susceptible to the economic shocks in the year, declined 26% on prior year with net fees of £14.5m (2019 restated: £19.7m). Permanent net fees represented 27% (2019 restated: 29%) of Group NFI on a continuing basis.

Other NFI arising from provision of engineering services and other fees was £0.3m (2019: £0.2m).

## UK Engineering

Revenue was £416.5m (2019: £475.9m), NFI decreased by 19% to £39.8m (2019: £49.4m) and operating contribution (before central overheads) was £24.5m (2019: £27.5m). UK Engineering represents 73% of Group continuing NFI.

The UK Engineering business was impacted by challenging market conditions in the year, particularly the UK general election, Brexit uncertainty and the proposed IR35 regulatory changes now delayed until April 2021. However, the main factor in the overall performance decline was the unprecedented effects of the pandemic, even though our strategic bias to contract business within UK Engineering has provided some resilience in the current trading environment.

Within the Infrastructure market, NFI was 15% lower than the prior year. Demand was particularly strong within the Highways and Civil Engineering market driven by the 'Routes to Market' initiative, increased funding for UK motorway infrastructure and the rollout of high speed fibre connectivity across the UK. Demand in both the Water and Rail markets remained constant on essential maintenance projects, however, project based construction, demand dropped significantly whilst COVID-19 compliant ways of working were being identified, and teams remobilised. The new Rail funding cycle CP6, UK Government commitment to HS2 and the Water investment cycle, AMP7 have been slower than anticipated to ramp up activity, however we see this as a short-term issue with demand building through 2021.

We anticipate the UK Government will continue to prioritise spending on transportation, infrastructure and utilities projects, which are significant and established markets for Gattaca.

The Energy division was 18% lower than the prior year. The Oil and Gas market remains turbulent, with deferred investment decisions subsequently shelved and therefore demand for contract labour driven down by COVID-19, sector politics and weak global commodity prices. The transmission and distribution market, where our work is focused on the maintenance of essential networks, was consistent through the year. The Renewables Energy market continues to offer opportunity with strong project investment globally; and we flexed our focus to capitalise on this trend.

Mobility was the most impacted of all our markets due to a lack of end customer investment during H1 and the H2 impact of COVID-19, with NFI 35% lower than the prior year.

The Defence market continues to be core to our business. National security, maritime and defence infrastructure programmes, including the QEC aircraft carriers, Dreadnought, Tempest, Morpheus and Type 31 frigates, are key UK Government priorities with increased spending announced. As a result, we see opportunity in this market across both engineering and technology skills.

We have restructured our teams and utilised the government furlough to match resources to demand whilst continuing to support contractors and staff in each of our markets. Where demand was lower, we also redistributed staff between teams to maximise efficiency.

## UK Technology

On a continuing basis, revenue was £104.3m (2019: £136.1m), NFI declined by 31% to £8.0m (2019: £11.6m) and operating contribution before central overheads was £3.4m (2019: £5.9m). UK Technology represents 15% of Group continuing NFI. Whilst this business did decline in H1, our actions stabilised it in Q2 and Q3 and we saw this as a key inflexion point; however, COVID-19 negatively impacted the business in Q4.

The constant development of the IT industry and need for STEM skills across the UK offers an excellent opportunity for our Technology business to return to growth.

UK ENGINEERING CONTINUING NFI
£39.8m
(2019: £49.4m)

UK TECHNOLOGY CONTINUING NFI
£8.0m
(2019: £11.6m)

INTERNATIONAL CONTINUING NFI
£6.5m
(2019 restated: £8.0m)

Whilst there have been many business affected and technology roles lost, the importance of having the correct technology stack and strategy has grown. There is continued developing demand for technology skills such as DevOps, Security, Data Science, Cloud, AI, Cyber and all front-end and back-end programming languages, all of which balance well alongside the established demand for PM, Support, Electronic Systems Engineering, Controls and Automation skill sets.

To ensure that we are optimally positioned to take advantage of these market trends, we have a new leadership team in place and have aligned the business to market sectors, specifically Defence, BFI (Banking, Finance & Insurance), TMT (Tech, Media and Telecoms), Energy and Public Sector. The latter two markets have shown resilience through the pandemic with some of our other markets now showing improved signs of activity in areas such as Infrastructure and Mobility. For 2021, we will manage and report the legacy Engineering Technology business unit as a core element of UK Technology, ensuring consistency across the full Technology stack.

We see technology as a major growth opportunity in the recovery of the UK economy, and the shifting global trends towards big data, AI and flexible working will ensure that technology skillsets play a critical role over the long term. The work to restructure the Technology business unit, recruiting new leadership and revitalising the team, will enable us to take advantage of these opportunities.

## International

On a continuing basis, revenue was £17.8m (2019 restated: £22.3m), NFI declined by 19% to £6.5m (2019 restated: £8.0m), and operating contribution before central overheads was £1.3m (2019 restated: £1.9m). International operations represent 12% of the Group's continuing NFI. Each of our International operations has been impacted by COVID-19 with country and state lockdowns affecting trading. As with the UK, we have ensured business continuity by quickly switching to remote working in each of our international locations.

International H2 NFI was 16% lower than the prior year. The US business continued to reposition itself away from an historic over-reliance on a small number of sole supply clients, with the successful delivery of our first RPO within the cyber market and being appointed as a 1st Tier supplier on a major Energy market PSL. We also took the opportunity to restructure the International leadership and sales team, resulting in a leaner, more efficient sales function.

During the year we ceased operational activity in China as we prioritised other markets.

## Gattaca Solutions

As a cross-section of our UK Engineering, UK Technology and International businesses, Gattaca Solutions represented 29% of Group NFI (2019: 27%). Gattaca Solutions is a critical element of our growth strategy as it allows us the opportunity to solve critical client staffing issues through deep long-term customer relationships. Gattaca Solutions dedicates account management support to these client relationships, and in many cases embeds our teams into our clients' businesses to enable a deeper and more collaborative relationship. Buying behaviours within the UK staffing market continue to shift towards the outsourced recruitment model, which Gattaca Solutions offers.

We have seen another strong year of account retention within Gattaca Solutions, reflecting the quality of service and value that Gattaca Solutions brings to our clients. Following the year end, we were delighted to be recognised for the quality of our service, winning the 2020 TIARA Talent Solutions award for Best Candidate Experience.

Gattaca Solutions accounts include customers who are critical to national infrastructure, utilities and defence, and in these areas we have seen volumes least affected and the quickest to recover, from any COVID-19 impact.

Gattaca Projects, which provides professional and expert outcome based engineering and technology support solutions, has grown by 14.2% on prior year, albeit from a small base. This is driven by a new key defence client with whom we have started delivering on long-term project delivery agreements in 2020.

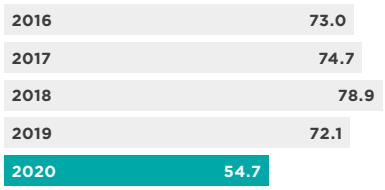
**Kevin Freeguard**
**Chief Executive Officer**
3 November 2020

# Key Performance Indicators

## Financial KPIs

Due to the discontinuation of certain operations in 2020 and 2019, the Group has chosen again to present a number of adjusted KPIs for continuing operations as a more representative measure of ongoing business. 2019 figures for continuing operations have been restated for the presentation of operations discontinued in 2020, as explained in Note 11 of the consolidated financial statements.

### NFI
(£m)




£54.7m
(2019: £72.1m)

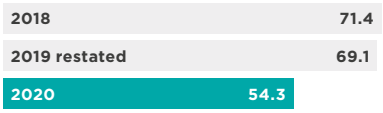
**Measurement explained**

NFI, equivalent to gross profit, is revenue less cost of sales, predominately the sum of contract NFI and fees for the placement of permanent candidates, less any directly attributable adjustments or rebates.

**Rationale**

Indicates the volume of business generated in the year and is a prerequisite to any sustainable bottom line growth.

### NFI from continuing operations
(£m)




£54.3m
(2019 restated: £69.1m)

**Measurement explained**

NFI from continuing operations is revenue less cost of sales from continuing business, predominately the sum of contract NFI and fees for the placement of permanent candidates, less any directly attributable adjustments or rebates.

**Rationale**

Indicates the volume of continuing business generated in the year.

### Adjusted Net cash/(debt)
(£m)


£27.3m
(2019: £(24.8)m)

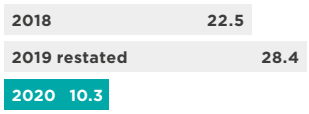
**Measurement explained**

Total Group debt excluding lease liabilities, less any cash and cash equivalents, after capitalised financing costs.

**Rationale**

Adjusted net cash/(debt) is a key element of the Group's capital structure. Gattaca is committed to showing a sustained reduction in adjusted net debt.

### Continuing underlying basic EPS
(pence)




10.3p
(2019 restated: 28.4p)

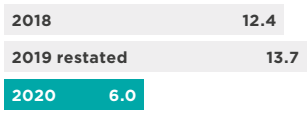
**Measurement explained**

The amount of underlying profit for the year per one share in the Group; calculated as the continuing underlying profit attributable to the Group's equity shareholders, divided by the average number of shares in issue throughout the year.

**Rationale**

A strong indication as to the underlying continuing profitability of a company for its shareholders.

### Underlying profit from continuing operations
(£m)




£6.0m
(2019 restated: £13.7m)

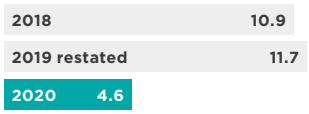
**Measurement explained**

Underlying profitability of the Group for continuing operations before interest and taxes with adjustments for non-recurring costs, impairment and amortisations of acquired intangibles and impairment of right-of-use leased assets.

**Rationale**

Demonstrates the profitability of the Group and how efficient it is at managing its controllable cost base.

### Continuing underlying profit before taxation
(£m)




£4.6m
(2019 restated: £11.7m)

**Measurement explained**

Profitability of the Group from continuing operations before tax with adjustments for non-recurring costs, impairment and amortisations of acquired intangibles, impairment of right-of-use leased assets and foreign exchange differences.

**Rationale**

Demonstrates the profitability of the Group and how efficient it is in managing its cost base, before taxation.

### Conversion ratio
(%)


11.0%
(2019 restated: 19.8%)

**Measurement explained**

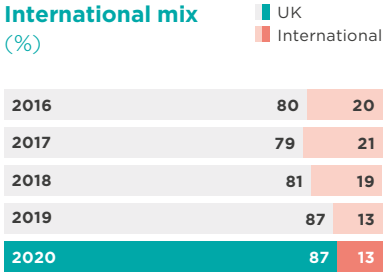
Underlying continuing profit from operations expressed as a percentage of continuing NFI.

**Rationale**

Indicates the efficiency of fee earners in generating NFI, the Group's ability to control central costs and the level of investment in future growth.

# Operational KPIs

## International mix (%)




87% / 13%
(2019: 87% / 13%)

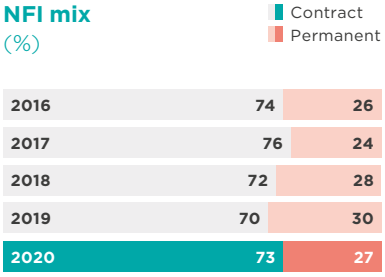
### Measurement explained

Total NFI generated from business operations outside of the UK, expressed as a percentage of total Group NFI.

### Rationale

Geographic diversification spreads risk and reduces reliance on any one economy.

## NFI mix (%)




73% / 27%
(2019: 70% / 30%)

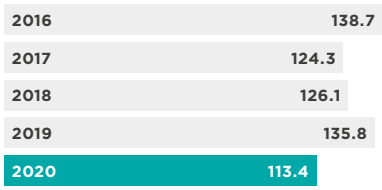
### Measurement explained

Total NFI generated through temporary contractor placements or permanent placements separated out and expressed as a percentage of total Group NFI.

### Rationale

Contract NFI provides better visibility of income and generates long-term relationships with our clients. Growth in permanent recruitment NFI enables the Group to benefit quickly from operational gearing.

## Average NFI per sales head (£'000)




£113.4
(2019: £135.8)

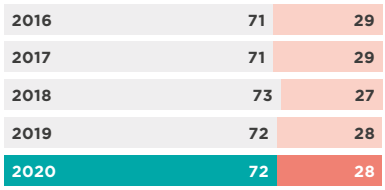
### Measurement explained

Total NFI divided by the average annual number of sales heads.

### Rationale

Indicator of staff productivity, with growth demonstrating an improved efficiency in fee earner activity or a higher percentage of fee earners at full capacity.

## Staff mix (%)




72% / 28%
(2019: 72% / 28%)

### Measurement explained

The ratio of fee earning versus operational support staff headcount taken as an average for the year.

### Rationale

Demonstrates the Group's ability to maintain a consistent balance of sales and support headcount throughout other business changes.

## NFI per £ staff cost (£)


£1.70
(2019: £1.68)

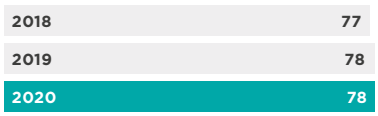
### Measurement explained

Total NFI divided by the annual costs of all staff in the Group.

### Rationale

Key staff productivity metric for Gattaca, as well as reflecting the operational efficiency of the business as a whole.

## Positive engagement score (%)




78%
(2019: 78%)

### Measurement explained

An Engagement Index based on employee responses to seven actionable workplace elements.

### Rationale

Employee engagement has proven linkages to performance, productivity, customer service, quality, retention and increased profit.

Chief Financial Officer's Report

# 2020 has been another year of intense activity

**We continued our work on repositioning the business, including a much strengthened balance sheet, and of course managing the impact of the global pandemic.**

CONTINUING UNDERLYING BASIC EPS
10.3p
(2019 restated: 28.4p)

## This year's highlights

- Continuing underlying profit before tax of £4.6m for the year (2019 restated: £11.7m)

For further information
Page 29

- Adjusted net cash, which excludes IFRS 16 lease liabilities, rose to £27.3m (2019: adjusted net debt £(24.8)m)

For further information
Page 31

- Repayment and cancellation of the Revolving Credit Facility post year end, leaving the Group covenant free

For further information
Page 33

- Cost reductions and the acceleration of the Improvement Plan resulting in £4m annualised future cost savings from November 2020

For further information
Page 30

# We delivered £4.6m of underlying profit before tax, eliminated debt and are now in a strong net cash position.

## Financial performance

On a continuing basis, revenue of £538.7m (2019 restated: £634.3m) generated NFI of £54.3m (2019 restated: £69.1m). We achieved contract NFI of £39.5m (2019 restated: £49.1m) at a margin of 7.6% (2019 restated: 8.2%), and permanent recruitment fees of £14.5m (2019 restated: £19.7m).

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

Statutory loss after tax for the total Group was £1.8m (2019: £5.9m loss).

Net cash at 31 July 2020 (excluding lease liabilities) improved considerably to £27.3m (2019: net debt of £24.8m), a £52.1m improvement including the benefit of £10.3m of VAT deferrals and a change from recourse to non-recourse financing worth £13.8m at year end, in addition to improvements in contractor terms, DSO ('Day Sales Outstanding') and volume related movements as explained on pages 31 and 32.

## Underlying results

Underlying results are shown beneath the Income Statement. Underlying continuing profit before tax at £4.6m (2019 restated: £11.7m) was £7.1m below last year with the most significant factor being the impact of the COVID-19 pandemic.

Whilst we moved to full remote working within days of the various national restrictions without any interruption to our operational capability, we saw a significant and relatively sudden reduction in trading volumes, and having anticipated this, took early mitigating actions on our cost base, including acceleration of Improvement Plan efficiencies. We were also able to achieve significant positive changes in terms of digitisation and process optimisation.

## Discontinued operations and non-underlying costs

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

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

The acceleration of certain elements of the Improvement Plan enabled restructuring both during FY20 and in the early part of FY21 and our financial statements include both the actual costs incurred in FY20 and a provision of £1.0m included in the £1.6m restructuring costs above for known redundancy costs for the initiatives that have been implemented in the first quarter of our 2021 financial year.

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

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

# Chief Financial Officer's Report continued

During the year, we took an additional impairment charge of £0.3m (2019: £5.9m) writing off all remaining intangible asset values relating to the UK Technology business of Networkers, acquired in 2015. All International intangible asset values relating to Networkers were written off in prior periods. Amortisation of acquired intangible assets was £0.6m (2019: £1.3m)

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

## Cost actions and UK Government Coronavirus Job Retention Scheme

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

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

During the year, we claimed £2.3m with respect to our contractors and £1.5m with respect to our staff enabling us to provide continued financial support to individuals whilst we and our clients took the appropriate time to assess our needs with much greater knowledge around the short and likely medium-terms impacts to our businesses and the necessary cost actions.

Staff and Directors who remained working in the business during this time also made a sacrifice through a 20% reduction in salary for a period of time, reducing 2020 costs by £1.1m. In addition we reassessed structures in the UK and internationally, with some de-layering, which benefited results in 2020 by £1.7m. Commissions were lower by £3.6m due to lower trading volumes and there were no Board and central staff bonuses saving £1.8m compared to prior year. In September 2020 we concluded a staff consultation process, the impact of which will be a further reduction of £4.0m in staff costs on an annualised basis. We will review our staffing needs as the recovery takes shape. At this time, we believe we have significant capacity to absorb increased trading without the need to increase significantly overall headcount.

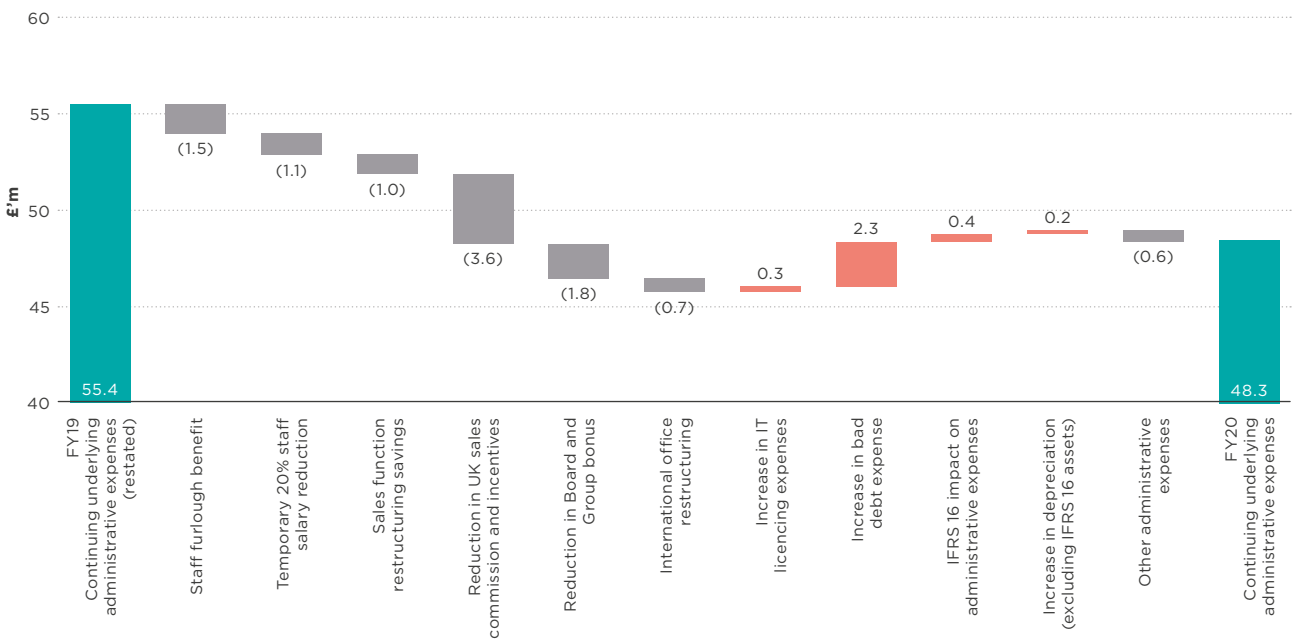
## Taxation

The Group's reported effective tax rate of 50.5% (2019: 31.6%) was driven up by the impact of overseas losses not recognised as deferred tax assets. The continuing underlying effective tax rate was 27.9% (2019 restated: 21.5%), similarly impacted by the same overseas losses.

## Earnings per share

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

## Administrative expenses



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

## Dividends

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

## Capital expenditure

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

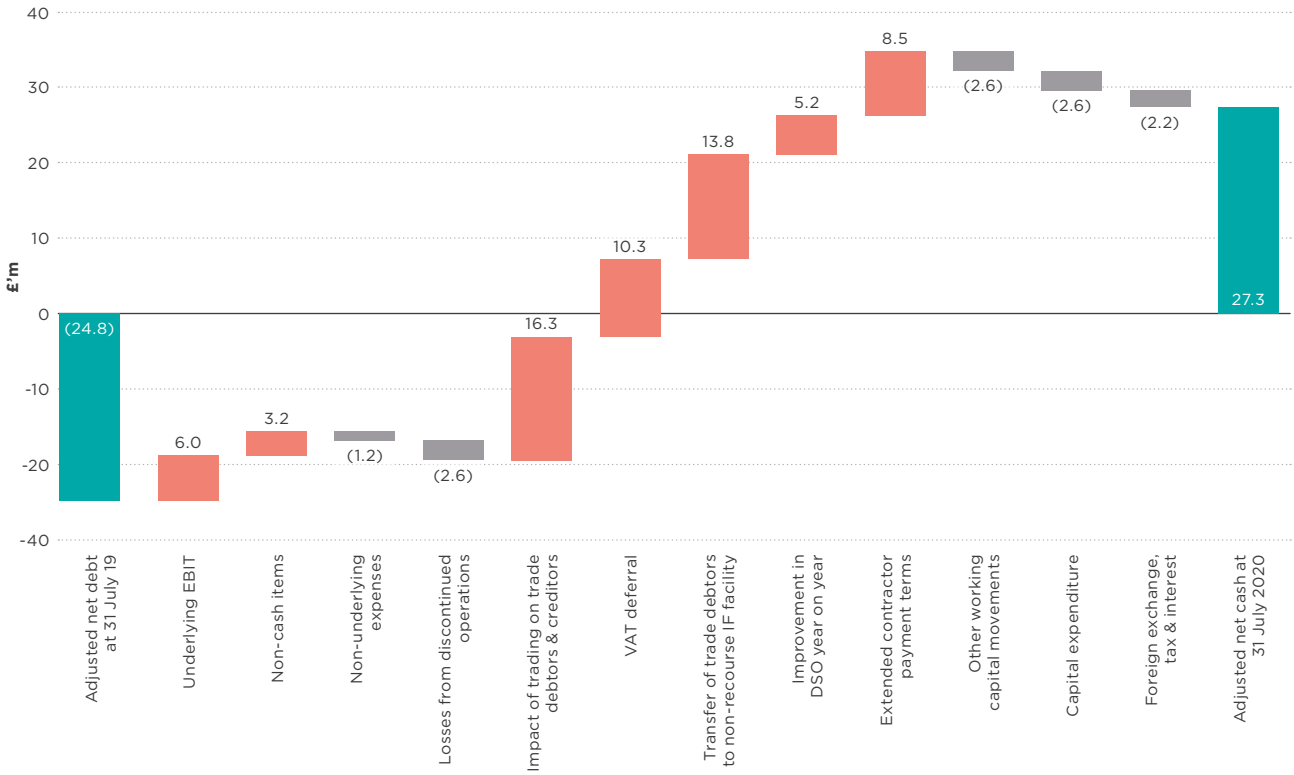
## Sale of holding in Concilium

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

## Net assets and shares in issue

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

## Cash flow and net cash/(debt)




# Chief Financial Officer's Report continued

## Cash flow and net debt

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

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

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

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

As a result of the current economic climate we have noticed increased pressure from customers for longer payment terms which may lead to an increased risk of default. However, we remain resolute in maintaining our strong working capital performance and this will continue to be a key focus for the Group.

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

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

Cash generated from operations at £59.2m (2019: £24.1m) was £35.1m higher than prior year driven by the factors summarised above.

## Banking facilities and interest rate risk

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

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

## Brexit

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

## Critical accounting policies

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

## IFRS 16

IFRS 16 was adopted by the Group from 1 August 2019, choosing to adopt the transition approach which did not require comparatives to be restated. At 31 July 2020, the Group held Right-of-Use lease assets of £7.3m and lease liabilities of £7.7m on the balance sheet. In 2020, depreciation and impairment expense of £2.5m was charged in respect of Right-of-Use lease assets and interest expense on lease liabilities was £0.2m. Operating lease expense of £0.2m (2019: £2.3m) was also recorded in the income statement in 2020 for leases where exemptions were taken from IFRS 16, for those with assets of low value or short-term leases of less than 12 months; the expense in 2019 was for all the Group's leases prior to adoption of IFRS 16.

The impact of adopting IFRS 16 in 2020 on continuing underlying PBT was £0.2m benefit.

## Group financial risk management

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

## Credit risk

The Group trades only with recognised, creditworthy third parties. We monitor receivable balances on an ongoing basis and in 2020 have taken a conservative approach to receivables risk and have increased our loss allowance by £1.8m to £4.0m. Whilst our receivables write offs during the year at £0.5m are only slightly higher than the £0.4m in the prior year, we believe that given the uncertainty in the economic headwinds in the UK and abroad, a more prudent calculation at 31 July 2020 of £4.0m is the right one. The expected credit loss provision is further supported by early signs of minor lengthening in DSO since year end. We shall be monitoring actual default rates closely over the next few months, especially as companies cease to benefit from the various support schemes such as the UK Job Retention Scheme and VAT deferrals.

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

## Foreign currency risk

The Group generates 13% of its annualised NFI from continuing business in international markets. The Group does face risks to both its reported performance and cash position arising from the effects of exchange rate fluctuations. The Group manages these risks by matching sales and direct costs in the same currency and where appropriate entering into forward exchange contracts to minimise the gap in assets and liabilities denominated in foreign currencies.

**Salar Farzad**
**Chief Financial Officer**
3 November 2020

Responsible Business

# Supporting our people, communities and stakeholders

**We place great emphasis on operating responsibly and we consider the potential impact on all our stakeholder groups when making business decisions, including them in those decision-making processes where possible.**

**I was delighted to be appointed to the role of HR Director in August 2020 after nine months as Interim HR Director for the Group.**

I bring eight years of HR experience, with a background in talent acquisition, development and management, along with seven years of working in commercial roles within recruitment. I believe this blend of experience will enable me, together with the wider team, to accelerate our HR strategy as part of the overall Improvement Plan.

The rituals and boundaries we create in collaboration with our people as we enter the next financial year need to accurately reflect both the trading conditions and the 'new normal' we find ourselves in. This presents us with a unique opportunity to review what has worked for the Group in the past and to challenge ourselves to find ways of doing things better. This year has reinforced the need for HR to be agile in its approach and continually adapt to the business and market context as fixed, long-term strategies can become less relevant in a fast paced world. I will continue to evolve our people strategy with a focus on driving engagement and developing talent, which will inform and shape our culture.

**Claire Cross**
**HR Director**

## Our Values

Our values underpin everything we do, they reflect our ambition and shape who we are.

### Be Inspiring

Without ambition, we wouldn't 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.

## A reflection on the year

Our response to the COVID-19 pandemic coloured much of our activity during the second half of the year. The health and wellbeing of our people was central to the actions we took, as well ensuring that we were equipping them with the tools to support our customers. We rapidly enabled remote working for our employees across the Group, leveraging video conferencing tools which then enabled us to quickly build out 'GattaConnect', a forum for employees to collaborate and communicate with one another.

We asked employees across the business how our actions had been received; in response to the question 'Gattaca has implemented appropriate precautions to keep me safe during the COVID-19 Pandemic' we scored 4.3 out of 5, with positive sentiment around our approach to communication, as well as supporting our people personally and professionally.

By utilising the UK Government Coronavirus Job Retention Scheme, this enabled us to support our staff while taking a considered approach to potential longer term actions required. In July 2020, we announced that we were entering into a collective consultation; this resulted in the removal of 93 roles from the UK business. This was not only in response to the trading impact of COVID-19, but also an acceleration of our Improvement Plan to ensure we had the correct skills operating in the correct markets. Our value 'Take Pride' was prevalent in how we supported employees throughout this challenging time, offering an enhanced redundancy package and career transition support.

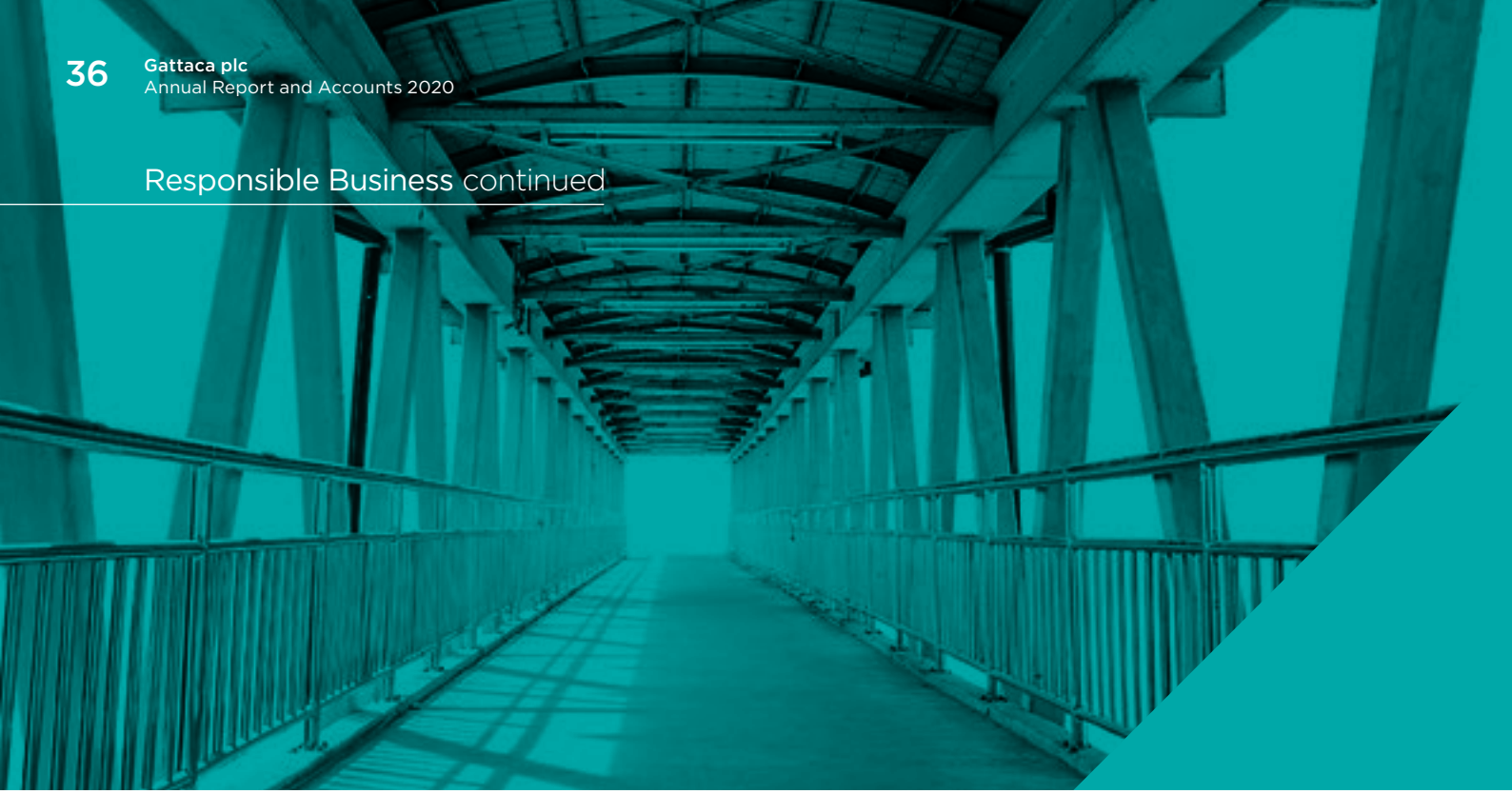
### Attracting, developing and retaining exceptional talent

We want Gattaca employees to be inspired by the people around them and to love the work they do. Creating opportunities for them to forge a successful career in recruitment by providing the correct training, tools and inspirational leadership is integral in ensuring our people are engaged and performing highly. Whilst our overall engagement score remains high at 78%, our new engagement tool, launching in November 2020, will provide actionable insights for our managers and leaders, enabling them to be accountable for improving the engagement of their employees.

In the last year we have specifically targeted talent that can demonstrate behaviours that directly relate to our values, introducing psychometric toolkits to further assess candidate suitability. We have created new joiner communities that experience a refreshed Sales Academy, supported by recruitment specialist trainers and access to our online learning platform, which contains over 20 learning plans, ranging from compliance focused modules and systems training, to sales negotiation.

We launched a call coaching platform across the business to capture coachable moments, which is returning value for both new and experienced employees. The tool has proved vital during the long stints of remote working; sharing best practice via the platform has meant that despite the physical distance, we can still benefit from the knowledge and experience of our senior people.

# Responsible Business continued



The physical, mental and financial wellbeing of Gattaca's employees and stakeholders remains critical. We were winners at this year's Reward and Employee Benefits Association's Employee Wellbeing Awards for 'Best Approach to Day-to-Day Financial Wellbeing' by applying the knowledge of our workforce demographic to support our employees with their day-to-day finances. We partnered with our Employee Assistance Programme and private medical insurance providers to communicate the available support services and to encourage employees to utilise them.

Our employees continue to be passionate about supporting our communities:

- During May, we partnered with one of our Defence clients to complete a combined 4,200km and raise £1,150 for Refuge, a domestic violence charity
- During the months of UK lockdown, our Engineering Technology team ran a collective 813 miles; the equivalent of Land's End to John O'Groats and raised a remarkable £1,469 for the NHS and Key Workers charities. The challenge they set themselves became the key morale boosting 'glue' that helped the team remain positive and healthy during the turbulent months
- In 2020, the company donated £18,000 to charity (2019: £50,000)

## A sustainable business

As a Group we are committed to the long-term sustainable success of the business. For more information on the steps we are taking to reduce our carbon footprint, see our energy and carbon report on page 39.

COVID-19 has shown us what is possible, with all our offices moving to remote working in a matter of days. This flexibility has resulted in a better work life balance for most employees and complimented our commitment to reducing our impact on the environment. However, we also recognise that remote working can put additional strains on some people, especially more junior staff or those with suboptimal infrastructure at home and we are committed to providing support where it is needed.

We are dedicated to maintaining many of the environmental gains we have discovered. We have taken steps to better use our estate portfolio by closing one of our office buildings at our head office site and are redirecting investment into a range of technological tools to ensure we can engage with our staff, clients and candidates in the most efficient way.

We recognise that there is more we can do and want to set out our commitment to having a positive impact on people, the environment and the economy. We have initiated a materiality assessment by an external consultancy firm, from which we will work with our stakeholders to set some key goals that resonate across the whole business and for all stakeholders. This approach will help us to engage our current and potential employees with our sustainability commitment whilst ensuring real and meaningful actions happen.

## The year ahead

Our culture has shone through this year; the collaborative way our business has pulled together is testament to our fantastic people and their desire to be successful in challenging circumstances has maintained our resilience. As we enter into the next phase of our journey, it is essential our employees connect with Gattaca's purpose and how they individually contribute towards it; performance and engagement remain an absolute priority.

Stakeholder engagement
Page 40

# The physical, mental and financial wellbeing of Gattaca's employees, communities and stakeholders has been critical this year.

**46** Long service awards in the year

**81%** Scored In our engagement survey theme "I am proud to work for Gattaca"

**39%** of our staff donated to charity through payroll

## How our people responded to the pandemic

**The way our people responded to the crisis has been phenomenal. The support and care they have shown each other, our customers and communities has been the best example of our employees living our value of 'Take Pride'. Our objective from the beginning of the crisis was to ensure we engaged with all our stakeholders, committing to communicate with them regularly to support them and make them aware of the steps we were taking to protect the business and all of them.**

### Supporting our contractors

We worked hard throughout lockdown to ensure that our contractors were not only safe but that they could continue to work, either onsite or remotely dependant on the market.

- Our first priority was to ensure that there was no impact on contractor pay with the introduction of lockdown. Our IT and Finance teams set up the systems and processes needed to run our contractor payrolls remotely in a matter of days and our entire contractor base continued to be paid on time
- We moved quickly to support contractors who were eligible for furlough under the UK Government Coronavirus Job Retention Scheme, in order to protect their roles and reduce impact on our clients businesses
- We built a COVID-19 Support Centre on the Gattaca website to support our clients, contractors and candidates through the pandemic. This hub contained information on the COVID-19 situation as it developed, updated government schemes and market advice. There was also advice to support with wellbeing challenges, remote working and resources for home schooling including activities to inspire children into STEM subjects
- As lockdown found many of our candidates isolated and working remotely we offered tools such as Microsoft Teams and our video interviewing software to support them in connecting with clients during the recruitment process

## Responsible Business continued

### Supporting our clients

An important part of our role is supporting our clients through change. A true partnership means helping our partners, not just through the highs but also the lows. We consulted with our clients on how to engage and retain their people through lockdown, how to continue recruitment as well as cost control and cash flow strategies where needed. These are some of the ways we supported our clients:

- Communications: Pre-lockdown we conducted research with our flexible workforce to examine their ability to work from home if required and what resources they would require if the need arose. We shared these results with our clients, working with them to take steps to make sure they could stay 100% operational
- During the time of transition into lockdown, companies needed to give regular and accurate update to their entire workforce. We supported our clients by offering guidance and proactive communications that they could distribute to keep their workforce advised and ensured they had a full understanding of the government support for workers that was available
- As it became apparent some of our client's businesses were severely affected by the impact of COVID-19, we worked with them on cost control or cash flow management strategies. Some less affected markets were able to increase cash flow support to us, which in turn enabled us to support other clients in more challenging markets by extending payment terms or implementing short-term rate reductions
- As well as arranging for the quarantining of contractors where necessary, we ensured they completed their induction and onboarding during this time to ensure they were productive as soon as they got to site
- In the Energy market we created bubbles of resource and adapted rota schedules so candidates could work in offshore locations for longer periods to keep the workers safe and so we could continue to support the demands of our clients
- Recognising many clients would not have the infrastructure to cope with the large volumes of Key Workers they needed to recruit, we launched 'Operation Key Worker' to support clients who were hiring with attraction, assessment and selection or deployment services
- We hosted webinars and roundtables to facilitate collaboration and encourage support networks across our client base. Some of the topics included how to utilise digital talent acquisition technologies across the areas of the recruitment cycle to ensure that recruitment didn't stop due to lockdown, maintaining and improving their employer brand and candidate experience throughout the pandemic and ensuring their workplace was safe. We made extensive changes to our global offices as a result of the COVID-19 safe working guidance that emerged in different areas and produced a very comprehensive playbook which we then shared with our clients

# 2019–2020 Energy and carbon reporting

**This year we have calculated our environmental impact across scope 1, 2 and 3 (selected categories) emission sources for the UK only. Our emissions are presented on both a location and market basis. On a location basis (using the UK grid emissions intensity) our emissions are 207 $tCO_2e$, which is an average impact of 0.5 $tCO_2e$ per employee. We have calculated emission intensity metrics on both an employee and floor area basis, which we will monitor to track performance in our subsequent environmental disclosures.**

## Energy and carbon action

As a Group, we consider the impact our buildings and vehicle use have on the environment. As such, over the course of the last year we have taken measures to meet our environmental responsibilities and reduce our emissions through:

- **Reducing travel** – we promote the use of technology to attend remote meetings and encouraged working from home wherever possible, prior to the pandemic lockdown. We also had a full year of benefit from our car share scheme, reducing the number of independent journeys and parking congestion on our Whiteley campus
- **Implementing half-hourly meters** – these meters have been fitted into two of our UK offices, with a third to be installed shortly, allowing us to better monitor our energy consumption across our property portfolio
- **Improving print management** – we have carried out a printer use assessment across our offices, disabling and reducing printers where appropriate

## 2019–2020 results

The methodology used to calculate the Greenhouse Gas ('GHG') emissions is in accordance with the requirements of the following standards:

- World Resources Institute ('WRI') Greenhouse Gas ('GHG') Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019)
- UK office emissions have been calculated using the DEFRA 2020 issue of the conversion factor repository

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of August 2019 to July 2020.

## Emissions and Energy Usage

| | Emissions Source | 2019–2020 |
|---|---|---|
| Scope 1 ($tCO_2e$) | Natural Gas | 4 |
| | Company and leased cars | 77 |
| **Total Scope 1 ($tCO_2e$)** | | 81 |
| Scope 2 ($tCO_2e$) | Electricity | 109 |
| Scope 3 ($tCO_2e$) | Electricity transmission and distribution | 9 |
| | Employee cars | 8 |
| **Total Scope 3 ($tCO_2e$)** | | **17** |
| **Total (Market Based) ($tCO_2e$)** | | **257** |
| **Total (Location Based) ($tCO_2e$)** | | **207** |
| **Total Energy Usage (kWh)** | | **852,643** |
| Normaliser | $tCO_2e$ per FTE | 0.5 |
| Normaliser | $tCO_2e$ per $m^2$ | 0.03 |

# Stakeholder engagement and section 172

**The Board recognises that the long-term success of the business is dependent on the way we interact with a range of key stakeholders.**

**As a business, we believe Gattaca has a history of collaborative and informative stakeholder engagement and considerate decision-making. This has been previously demonstrated by our compliance with the QCA Code, which under principles 3 and 9 requires companies to take account of wider stakeholder and social responsibilities and their implications for long-term success and to maintain governance structures and processes that support good decision-making.**

This section articulates how, as required by section 172 of the UK Companies Act 2006, the Directors have acted to promote the success of the Group for the benefit of its stakeholders. In meeting this responsibility during the year, the Directors have had regard, amongst other matters, to:

- **A the likely consequences of any decisions in the long term;**
- **B the interests of the Group's employees;**
- **C the need to foster the Group's business relationships with suppliers, customers and others;**
- **D the impact of the Group's operations on the community and environment;**
- **E the Group's reputation for high standards of business conduct; and**
- **F the need to act fairly as between members of the Group.**

## Why we engage

### Clients

Gattaca's success has been built on numerous long-standing and trusted client relationships. We must ensure that we understand evolving client requirements in order to best match them with our candidates.

### Candidates

One of Gattaca's key strengths is building relationships with candidates that last many years and even across whole careers. In-depth candidate knowledge also enables us to deliver services and solutions for our clients.

### Employees

We are a people business, and the knowledge, experience and dedication of our team members is paramount to our success. In order to attract and retain the best people, and to get the most out of them during their time with us, we believe in fostering a culture of engagement, collaboration, support and inclusivity.

### Investors

The Board regards effective communication with shareholders as crucial to understanding and meeting their needs and expectations. The full Board regularly considers feedback from investors.

| How we engage | Material topics |
|---|---|
| We engage with clients via regular communications in our day-to-day activities, and via formal feedback requests. | • Recruitment services and solutions<br>• Market expertise<br>• Access to high quality candidates<br>• Building long-term partnerships |
| We engage with candidates via regular communications in our day-to-day activities, and via formal feedback requests. This year we mapped candidate journeys to identify improvements. | • Career opportunities<br>• The candidate experience<br>• Data governance<br>• Building long-term partnerships |
| Our ongoing employee engagement programme includes our employee engagement survey 'Have your say', group forums, intranet forums, onboarding surveys and exit interviews. During the pandemic, we maintained engagement and dialogue via regular digital communication and virtual meetings, and gathered employee feedback on our response via our COVID-19 Sentiment Survey. We will be launching a new engagement tool in November 2020. | • Training and development opportunities<br>• Career progression and recognition<br>• Compensation and incentives<br>• Company culture and reputation<br>• Health, safety and wellbeing |
| Our investor relations programme includes presentations and the opportunity for shareholders to meet with the Chairman, Chief Executive Officer and Chief Financial Officer following the announcement of our interim and preliminary results. We release the results of general meetings through a regulatory news service and also on our website, which also contains historical results, presentations and communications. | • Financial and operational performance<br>• Long-term growth<br>• Business model and strategy<br>• Capital allocation<br>• Dividends |

# Stakeholder engagement and section 172 continued

## Principal decisions in 2020

The Board considered the interests of and the impact on all stakeholders when making a number of key decisions during the year, as demonstrated by the following examples.

### Principal decision 1

Re-opening our global offices in line with COVID-19 secure guidance as local lockdowns eased around the world.

In making the decision, we considered:

| | |
|---|---|
| **The impact on the long-term sustainable success of the Company** | Our people responded fantastically as local lockdown measures were implemented around the world and our business maintained full operational capacity throughout a long period of remote working.<br><br>There have undoubtably been operational, financial and environmental benefits from enabling our workforce to work remotely over this time and some of those new discoveries we are committed to maintaining longer term. However, our people also thrive on face-to-face interaction, building collaboration and rapport. In addition, some individuals have struggled from a wellbeing perspective throughout this time, as remote working can leave individuals feeling isolated or working in suboptimal environments.<br><br>Therefore we were committed to ensuring that we were supporting our employees where they needed either access to an office environment to work from, or the ability to safely interact in person with colleagues, as soon as it was considered safe to do so. |
| **Stakeholder considerations** | **Employees**<br>We undertook an employee wellbeing survey specific to our response to the COVID-19 pandemic, to understand how our people were coping and what support they needed, as well as separate reviews of IT equipment and remote working infrastructure to understand what needed to be addressed to support our people best.<br><br>Once local guidance was released regarding return to work, we reviewed this in detail, undertook focussed assessments of our offices against what was required, determined what would be possible to achieve and undertook a program of actions to create COVID safe workspaces.<br><br>We used the feedback from our staff to determine who was most in need of use of office working environments to enable prioritisation of those individuals for the limited space we had available, whilst still enabling hybrid use of our offices for project teams where in-person collaboration was considered highly beneficial, in a managed and controlled way.<br><br>**Clients, candidates and investors**<br>By ensuring our people are supported in their working environment in a safe and secure way, we are fostering the engagement, drive and focus we need to ensure we continue to deliver effective business results for our all our external stakeholder groups throughout the pandemic. |

#### Outcome

Our offices around the globe have opened safely where possible and in line with local guidance, keeping our people secure, enabling hybrid working for those individuals who struggle with remote working due to suboptimal infrastructure at home or for wellbeing reasons, and supporting the continuation of key projects where in-person collaboration is of vital benefit.

## Principal decision 2

In July we started a redundancy process that put up to 150 roles in the UK at risk. The decision was part of our ongoing commitment to the transformation journey of our Improvement Plan, but also in response to the impact of COVID-19 on our business.

In making the decision, we considered:

| | |
|---|---|
| **The impact on the long-term sustainable success of the Company** | The Improvement Plan is dedicated to taking the fundamental strengths of the business and evolving them to deliver long-term sustainable growth.<br>Though the impact of the COVID-19 pandemic has led to an acceleration of the programme, the decision to reshape our teams is consistent with our long-term thinking, approach and goals.<br>We determined that undertaking this process would ensure we have the correct skills operating in the correct markets, as well as delivering significant cost savings. |
| **Stakeholder considerations** | **Employees**<br>We considered the impact the reshaping process would have on the entire team in line with our Company values.<br>After identifying 150 'at-risk' individuals, we entered into a collective consultation with the employees to carefully assess the skills required to take Gattaca forward. By engaging with those at risk, we were able to redeploy many individuals into more suitable roles.<br>In considering the needs of those employees whose roles were made redundant, we determined an enhanced redundancy payment and career transition support would be appropriate.<br>**Clients and candidates**<br>Growing our customer base and deepening relationships are central to Customer focus strategic priority of the Improvement Plan.<br>Ensuring there would be no impact on our ability to continue to deliver for our clients and candidates was a fundamental consideration in making the decision to streamline our teams.<br>**Investors**<br>The purpose of the Improvement Plan is to evolve the business to ensure it continues to deliver sustainable growth in the long term.<br>With the added impact of COVID-19, we considered the impact on our ability to deliver for our investors and took the decision to accelerate cost-saving actions with the goal of restoring returns for our investors at the earliest opportunity. |

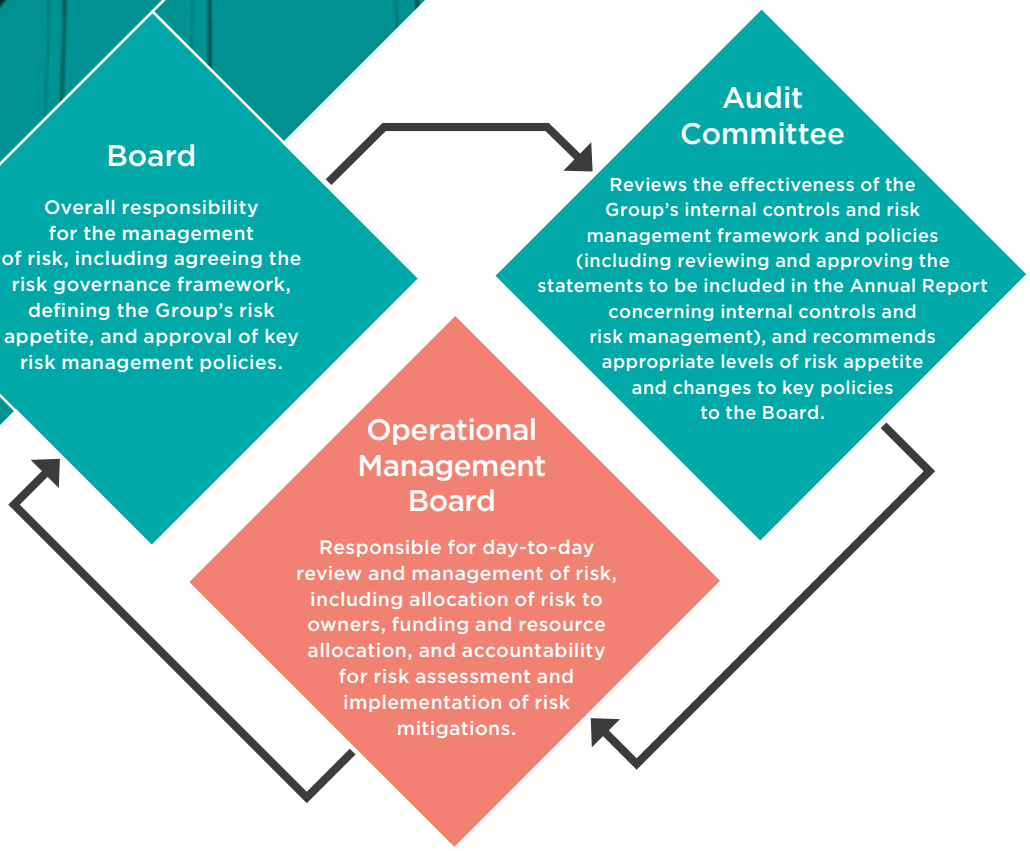
### Outcome

The process resulted in 93 roles being made redundant and over 50 employees being redeployed in more suitable roles. It will result in £4m of annualised cost savings for the Group, and continues the Improvement Plan's progress on delivering efficiency and productivity.

Risk Management

# The Group is well placed to manage its business risks successfully

**Ultimate responsibility for risk management rests with the Board but day-to-day management of risk is delivered through the way we do business and our culture.**



Our approach to risk management assesses opportunities and threats using a 'top-down' and 'bottom-up' approach, ensuring that whilst risk appetite and principle risk identification are managed by the Board and operational Management Board, we also take into account the experience and input of each business function as regards the risks relevant to their area. We recognise that risks and uncertainties are an inherent part of any business, and seek to manage and mitigate risk to achieve our strategic priorities whilst protecting the interests of all stakeholders.

The Board, primarily via the Audit Committee, is responsible for establishing and maintaining the Group's system of internal financial control and places importance on maintaining a strong control environment. The key procedures that the Directors have established with a view to providing effective internal financial control are as follows:

- Our organisational structure has clear lines of responsibility and we maintain clear delegation of authorities;
- Our comprehensive budget is approved by the Board. Monthly results are reported against the budget and variances are closely monitored by the Directors; and
- The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate courses of action to manage these risks

This framework of internal 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 financial information used within the business and for publication is reliable. Such a system of internal control can only be designed to manage and mitigate, rather than eliminate, risk, and provide reasonable but not absolute assurance against material misstatement and loss.

As part of our commitment to continual improvement in this area, a revised approach to risk management will be implemented during the 2021 financial year, designed to improve the identification and ranking of key risk areas, monitoring of mitigation action being taken to manage the risk, and improved Board reporting on the risk register and areas of concern.

## Going concern

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

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

The majority of our staff have now been working remotely for over seven months and there has not been any significant impact to our ability to operate effectively. The initial reduction in contractor numbers in April 2020, whilst impacting profitability, has resulted in reduced working capital requirements and has created further liquidity.

**"We recognise that risks and uncertainties are an inherent part of any business, and seek to manage and mitigate risk whilst protecting the interests of all stakeholders."**

## Risk Management continued

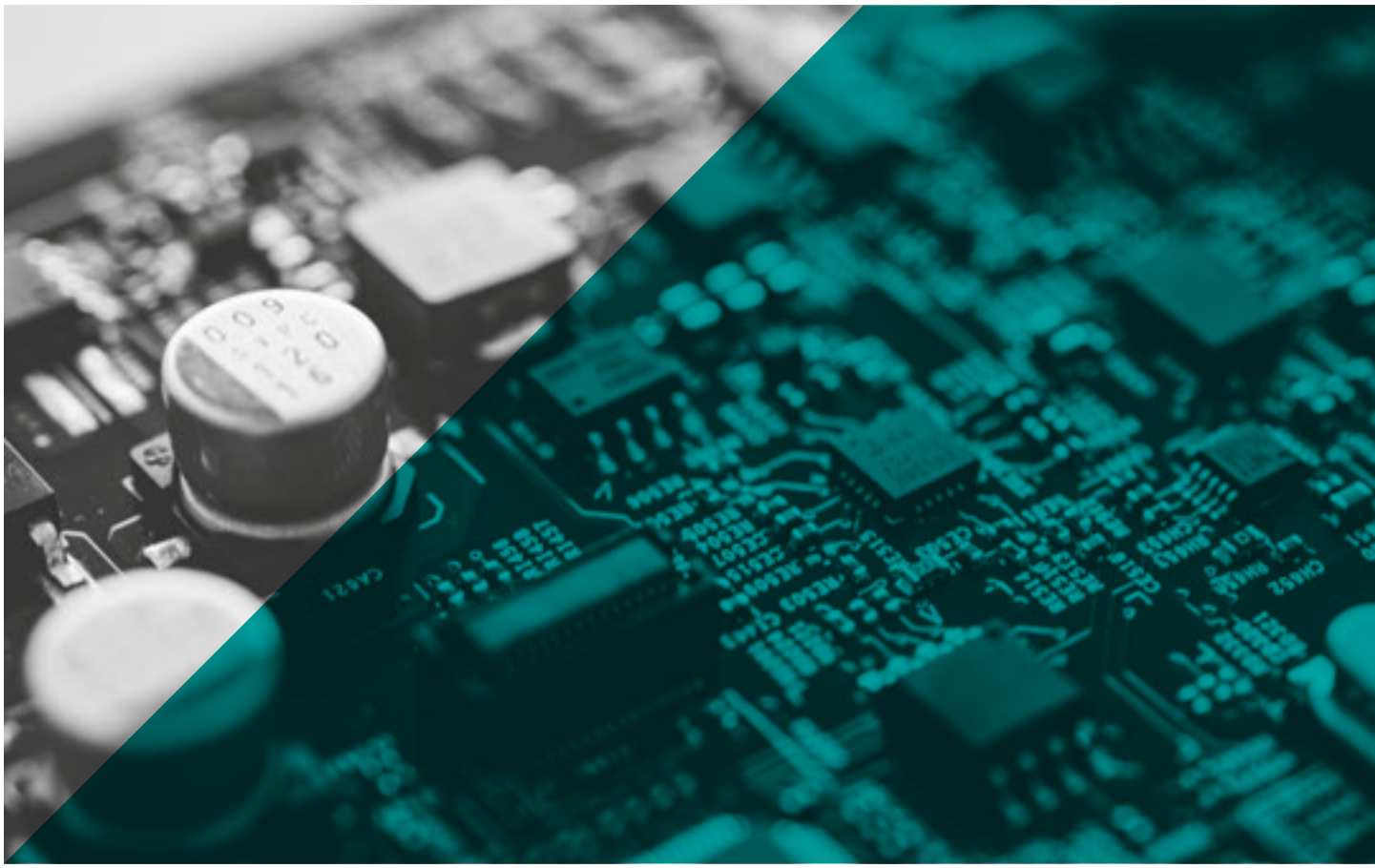
The Group has also undertaken other actions, including an increase to the payment terms of certain contractors and these actions have created a permanent working capital benefit, and will reduce our working capital requirements during growth. We have seen early signs of minor extensions in debtor days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

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

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

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

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



## Viability Statement

The Board formally adopted the QCA Code for the year ended 31 July 2018 onwards. Consistent with previous years, Gattaca continues to seek to comply with certain provisions of the UK Corporate Governance Code, where appropriate for our business, on a voluntary basis. In accordance with this position, and in accordance with the provisions of the UK Corporate Governance Code, 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 2023.

The period of which the directors consider it possible to form a reasonable expectation as to the Group's long term viability is the three year period to 31 July 2023. This is based on the Directors confidence in:

- the Group's projected financial resources, including the expected cash generation of its operations;
- the low likelihood of all or even most of the identified potential principal risks materialising simultaneously;
- the length of major operating contracts;
- the Group's diverse geographical operations plus its established business relationships with many customers and suppliers throughout the world; and
- the incorporation of the uncertainty arising from the COVID-19 pandemic on both the Group's activities and those of the wider economies in which the Group operates

In forming their opinion, the Directors have performed a robust assessment of the principal risk and uncertainties facing the Group as set out on pages 48 to 53. In addition, Note 26 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 robust 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, subject to no unforeseen events outside of the Group's control, a reasonable expectation, that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 July 2023.

# Effective Risk Management

Our Corporate Governance Statement on pages 60 to 64 describes the Group's governance structure.

The table below details each principal risk, aspects that would be affected if the risk materialised, our assessment of the current status of the risk, and how the Group mitigates it.

The Board and functional operational leaders engage in continual horizon scanning to identify and assess emerging risks and the potential impact on our business, with regular reporting to the operational Management team and Board as appropriate.

## 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. Poor trading performance and/or working capital management could lead to a breach in financial covenants, leading to borrowings being called due. A lower level of underlying profitability reduces the leverage ratio headroom of financial covenants.<br><br>Trading across international borders raises the risk of foreign exchange differences between trading currencies, in terms of both cash and translated results. | • We maintain serviceable levels of debt which we have been reducing and a strong liquidity position<br>• We have strong working capital management, and during the year introduced specific actions to better align our contract payment terms to normal practice in other industries, contributing approximately £8.5m by year end<br>• At the year end, the Group had financing facilities of £82.5m, comprising a £75m working capital financing facility and a £7.5m Revolving Credit Facility ('RCF'), the latter of which was due to expire in October 2022<br>• Subsequent to the year end, the Group paid off the RCF in full, thus eliminating all banking covenant requirements<br>• We have a rigorous approach to forecasting both net debt and trading results monthly, looking forward to at least the next 36 months<br>• We have a strong relationship with our bank, which is supportive of our business, and we hold regular discussions to ensure we have our bank's backing to fund strategic plans and maintain our working capital facilities. Where we foresee material uncertainty we engage proactively with our lenders to mitigate this<br>• We have procedures to check the creditworthiness of new clients with external agencies, regularly reviewing credit limits<br>• The Group has a diverse mix of clients and is not financially dependent on any single client<br>• We took advantage of the Government's VAT deferral scheme, and as at year end had deferred HMRC payment amounting to £10.3m until 31 March 2021<br>• For sales denominated in foreign currency, the Group seeks to ensure associated direct costs are denominated in the same currency<br>• The Group monitors the gap in assets and liabilities denominated in foreign currencies required to be translated into Sterling at the year end exchange rate<br>• The Group regularly exchanges surplus foreign currency to minimise the gap in assets and liabilities denominated in foreign currency. Our mix of international business is low and so any FX exposure would be limited | M<br>◀▶ |

**Key**

**Relative severity**

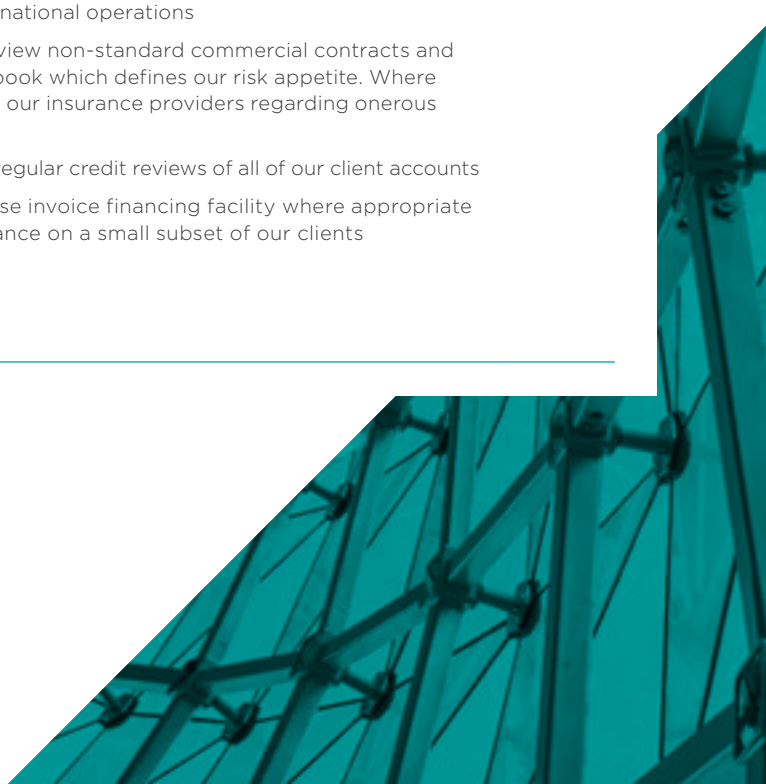
H High M Medium L Low N New

**Changed during the year**

▲ Increased ◀▶ Stable ▼ Decreased

## Market

| Risk | Mitigation | Status |
|---|---|---|
| **Economic environment** | | |
| There is a correlation between the economic conditions of the countries we operate in, and the level of client and candidate confidence, affecting the level of recruitment. Too great a concentration in one market increases this risk.<br><br>There is significant economic uncertainty in most nations due to the COVID-19 pandemic which is clearly a significant risk to our ability to maintain and grow NFI, either through reduced requirements for temporary staff, by discouraging clients to hire permanent staff, or by encouraging clients to adopt cheaper delivery options.<br><br>A prolonged delay in economic recovery and the re-introduction of more severe lockdown measures in the geographies in which we operate also poses significant risk. | • During the COVID-19 pandemic and the UK lockdown, the Board increased frequency of meetings to ensure regular reviews of the operations and cash management of the Group. During this period we have been carrying out frequent and extensive scenario analysis and continue to do so<br>• We have taken actions to significantly increase liquidity and strengthen our balance sheet and we have also made significant adjustments to our cost base. We continue to manage this as markets develop<br>• 73% of the Group's NFI is generated from contract business across a broad range of sectors and clients, leading to more stable business streams<br>• The Group generates 13% of its NFI from its offices in overseas territories, thereby helping reduce the risk of reliance on the UK marketplace<br>• Separate to the actions we have taken specifically in response to the COVID-19 pandemic, we have a rigorous 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<br>• We continue to manage the balance between temporary and permanent business, to ensure flexibility in the face of a turbulent global labour market | H ▲ |
| **Dependence on key clients** | | |
| Too great a dependence on one or a few clients may have a material adverse effect on the Group's performance and cash flow should clients cease to procure or pay for services in a timely manner.<br><br>Where a material relationship exists with clients, contract negotiations often result in cash rebates, or concessions on margin or payment terms.<br><br>Due to the increased economic uncertainty (as highlighted above), we consider there to be an increased risk of client bankruptcies resulting in non-payment of receivables, and reduced demand from larger clients over a sustained period of time. | • Specifically in response to the COVID-19 pandemic, we have increased our monitoring around receivables and at this time are not aware of any specific issues around key clients but have seen early signs of minor lengthening of DSO since year end. We remain diligent in monitoring the situation and are working closely with our clients to recover our trade debtors<br>• The Group has a very broad base of clients, with no dependency on any one client<br>• The Group continues to follow its strategy to diversify its client base and the mix of its UK and international operations<br>• The Group's legal team review non-standard commercial contracts and adhere to a contract playbook which defines our risk appetite. Where appropriate, we liaise with our insurance providers regarding onerous non-standard terms<br>• We conduct detailed and regular credit reviews of all of our client accounts<br>• We utilise our non-recourse invoice financing facility where appropriate and maintain credit insurance on a small subset of our clients | H ▲ |



# Principal Risks and Uncertainties continued

## Market continued

| Risk | Mitigation | Status |
|---|---|---|
| **Brexit** | | |
| Continued uncertainty regarding the post-transitional period arrangements presents increased risk of general economic uncertainty and a more specific risk regarding labour movement restrictions. | • The Group continues to monitor the ongoing negotiations between the UK and the EU ahead of 31 December 2020<br>• Our Brexit continuity planning includes profiling our contractor and employee base to provide advice and guidance, as appropriate, to mitigate adverse impact to assignments and employment | M ◀▶ N |
| **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 and a trend towards outsourced recruitment models, with associated margin pressures, can also have an impact.<br>Further, the commercialisation of disruptive technology or innovation by either a current or new competitor could materially alter the recruitment sector by challenging the viability of current models and therefore the ability to sustain revenue and profits. | • The current economic environment (as highlighted above) favours larger, established recruiters such as ourselves as clients review and consider risk in their supply chain<br>• The Board and Executive meet regularly to discuss and define a clear vision of the regions, 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<br>• The Group is focusing increasingly on exclusive arrangements and new solutions<br>• Greater regulatory and compliance requirements in the recruitment industry are increasing barriers to entry<br>• Implementation of our end-to-end, integrated systems covering applicant tracking and vendor management through to billing, collections and payments is nearing completion | M ◀▶ |
| **Shortage of skilled candidates** | | |
| The availability of highly skilled and quality candidates is essential to operating in niche or high-margin markets. Where a shortage of skilled resources exists within a market, clients have greater need for services from staffing solutions businesses, however, where a shortage reaches extreme levels, it may not be possible to fill vacancies. | • 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 enhances our ability to source the right candidates and allows us to charge the right prices for quality service<br>• As a consequence of the increased economic uncertainty, there is likely to be greater availability of labour across all of our geographies and markets | L ▼ |

**Key**

**Relative severity**

H High M Medium L Low N New

**Changed during the year**

▲ Increased ◀▶ Stable ▼ Decreased

## Strategic

| Risk | Mitigation | Status |
|---|---|---|
| **Change management** | | |
| Failure to anticipate and embrace change, failure to anticipate key strategic changes necessary to ensure profitability and/or failure to effectively implement change leading to delay, or negative impact on cost, resource and/or ability to operate. | • The Group's key projects (including our systems upgrade and IR35) are managed by dedicated project and change experts with strong project governance and regular project reviews with the operational Management team and the Board<br>• The Group works with stakeholders to ensure our strategy and key change management projects are properly communicated and embedded effectively across the business | L ◀▶ N |
| **Reputation** | | |
| Loss of confidence or support by shareholders and/or other key stakeholders arising from either our own poor performance or from the actions of third parties may result in diminished ability to operate. | • The Board regards effective communication with shareholders as crucial and operates an ongoing investor relations programme, which includes presentations and the opportunity for shareholders to meet with the Chairman, Chief Executive Officer and Chief Financial Officer following announcement of our interim and preliminary results. The full Board receives reports on feedback from investors<br>• We release regular trading updates and the results of general meetings through a regulatory news service and also on the Regulatory News section of our website. We are committed to regular and transparent communications with all stakeholders to mitigate risks in this area | L ◀▶ N |

## Operational

| | | |
|---|---|---|
| **Talent acquisition, retention, and management** | | |
| 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.<br>As a result of the COVID-19 pandemic, we have taken action to reduce costs across all of our operations, which is a key risk to engagement and retention of remaining staff. In addition, a global pandemic increases the general risk to engagement and resilience.<br>Failure to address single points of failure and/or dependence on a few key individuals poses a risk to the Group's ability to operate. may adversely impact performance. | • 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 achieve the Group's strategy<br>• We run an employee engagement survey, designed to capture engagement on an ongoing basis. For further details, please refer to page 35<br>• The Group is placing a greater focus on engaging and developing talent and employee wellbeing including through training, performance management, leadership development and succession planning<br>• Our contracts contain appropriate notice periods and post-termination restrictive covenants and we conduct exit interviews to understand reasons for attrition<br>• We continue to engage and consult with employees who are affected by change to mitigate adverse impact and evolve our wellbeing initiatives to provide appropriate support<br>• We have a broad range of skills experience on our Board and operational Management team and are not reliant on any individual operational managers | H ▲ |

# Principal Risks and Uncertainties continued

## Operational continued

| Risk | Mitigation | Status |
|---|---|---|
| **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. A loss of confidential or competitive information can have an adverse impact on operations and the reputation of the Group. | • Implementation of end-to-end, integrated systems covering applicant tracking and vendor management through to billing, collections and payments is nearing completion. The implementation of any new system presents increased risk, but we have engaged experts to manage this project, have strong project governance, conduct regular project reviews and have risk mitigation plans in place. We expect, in the longer term, that these investments will reduce this risk<br>• 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 | H ◀▶ |
| **Data governance** | | |
| The Group works with confidential, sensitive and personal data daily in multiple jurisdictions under a variety of laws and regulations.<br>A material data compliance failure could expose the Group to potential legal, financial, operational and reputational risks. | • 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<br>• All employees receive data protection training on joining the Group, and regular refresher training sessions. Specialised training is provided where required<br>• The Group is GDPR compliant and maintains appropriate resource in the compliance team to ensure continued compliance. We monitor developments in the law and manage our response as appropriate | M ◀▶ |
| **Business continuity** | | |
| Our systems are key to enabling day-to-day operations. The loss of operating technology services from one site can lead to a loss of business continuity.<br>COVID-19 presents an increased risk to our ability to operate in the event large numbers of our staff are unable to work due to illness. | • The Group's approach to business continuity focuses on our critical systems and processes to ensure continuity of service, including crucially the payment of workers engaged on our clients' sites. Our planned transition to cloud-hosted solutions will enhance our ability to enable remote working and reduce the reliance on local office hardware<br>• Our business continuity plans were tested with the introduction of lockdowns across all of our geographies and our processes proved to be fully effective with the entire organisation operating at full capacity, remotely within a week<br>• We continue to evolve our business continuity planning to mitigate the impact of key staff being unavailable for extended periods of time due to ill health | M ▲ |

**Key**

**Relative severity**

H High  M Medium  L Low  N New

**Changed during the year**

▲ Increased  ◀▶ Stable  ▼ Decreased

## Regulatory and legislative environment

| Risk | Mitigation | Status |
|---|---|---|
| **Legal and fiscal compliance** | | |
| The Group operates in a number of jurisdictions, which have differing legal, tax, regulatory and compliance requirements. Failure to comply with any such legal, tax, regulatory or contractual compliance requirements could expose the Group to potential legal, financial and reputational risks. | • The Group continues to invest in its dedicated legal and compliance, and tax functions which manage the Group's compliance with its legal and regulatory obligations and monitor changes in legislation that affect our business, supported by leading external advisers as appropriate<br>• The Group also works closely with the Recruitment and Employment Confederation ('REC') to ensure it is up to date with all industry trends and best practice relating to current and emerging legislative and regulatory changes in the markets we operate in<br>• The Group has clearly defined standards covering our business activities, which are outlined in our Code of Professional Conduct with which all employees are required to comply. The Group also has clear policies and statements setting out the Group's zero-tolerance approach to Bribery and Corruption, Facilitation of Tax Evasion, and Modern Slavery. All of these core policies are referred to in our contracts of employment, and are underpinned by training to reinforce these policies, and the associated required behaviour from employees<br>• The Group is committed to providing for the health, safety and welfare of all of 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<br>• Separately the Group holds appropriate levels of public liability, employers' liability and professional indemnity insurance<br>• The Group re-opened its UK offices in line with COVID-19 Secure guidance and continues to evolve our working practices in line with the changing situation. The Group maintains regular dialogue with all stakeholders to mitigate key risks to health where possible<br>• The Group made use of the Coronavirus Job Retention Scheme for our employees and contractors, an area that will undoubtedly be under intense scrutiny. We implemented robust and effective processes and procedures to ensure we were meticulous in the claims process and to ensure our furloughed colleagues adhered to the guidance by not working whilst on furlough<br>• The Group maintains an independent whistleblowing reporting service for employees to raise any matters of concern anonymously. Any reported incidents are investigated and reported to the Audit Committee<br>• The Group has a dedicated senior tax resource and utilises the expertise of external advisers across the jurisdictions in which we operate. The Audit Committee provides governance and oversight of the Group's tax risks<br>• As a leading staffing solutions provider, we were prepared for the changes to the IR35 rules in the private sector and were working closely with our clients, with whom the primary responsibility for determination rests, to manage this change, and continue to be prepared for the delayed implementation of these changes in April 2021<br>• Although there has been an increase in legal and regulatory requirements on our business over the past few years, we are comfortable that we are managing these external developments appropriately and responsibly. In this regard, we consider that the external risk environment in this area has not changed. As noted on page 137, we continue to cooperate with US authorities with respect to historical transactions in our discontinued telecommunication infrastructure business | H |

### Strategic Report approval

The Strategic Report on pages 10 to 53 was approved by the Board of Directors on 3 November 2020 and signed on its behalf by

**Kevin Freeguard**
**Chief Executive Officer**

**Salar Farzad**
**Chief Financial Officer**

# Governance



Chairman's Introduction to Governance

# Committed to a culture of good governance

*"The Board's focus in 2020 has been to address the COVID-19 crisis, ensuring appropriate governance and oversight during this constantly changing situation."*

**37** interactions between the board and shareholders during FY20

**100%** Board attendance

**3** ISO certifications: ISO 14001 (environmental), ISO 45001 (health & safety) and ISO 9001 (quality)

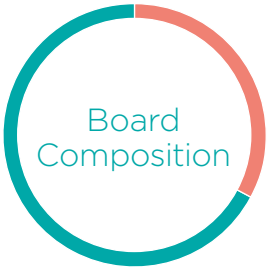
I am pleased to present the Board's Annual Report on Corporate Governance.

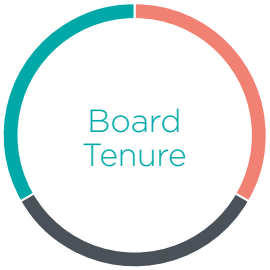
The Board has adopted the QCA's Corporate Governance Code ('the QCA Code') although, where appropriate for our business, Gattaca also seeks to comply with certain provisions of the UK Corporate Governance Code, on a voluntary basis. This Annual Report, together with the information on our website, sets out how we comply with the principles of the QCA Code and provides insights into how our governance framework underpins our day-to-day activities and decisions.

The Board's focus for the second half of this year has been to address the COVID-19 crisis and, in response to this, the activities and frequency of meetings increased to ensure appropriate governance and oversight during this constantly changing situation. The Board worked with the operational Management Team to ensure that all actions taken in response to the crisis prioritised the safety of our staff and contractors, and were aligned to the Group's strategic objectives and values. The increased intensity and pace of Board activity during this period demonstrates our governance framework in action, and our commitment and to safeguarding and promoting the long-term success of the business for all stakeholders.

**Patrick Shanley**
**Non-Executive Chairman**
3 November 2020

# Corporate Governance at a glance




## The right balance of skills and experience

| | Executive | Non-Executive | Appointed | Tenure |
|---|---|---|---|---|
| Patrick Shanley (Chair) | | ● | December 2015 | 4 years |
| Richard Bradford | | ● | August 2011 | 9 years |
| David Lawther | | ● | June 2018 | 2 years |
| George Materna | | ● | July 1984 | 36 years |
| Kevin Freeguard | ● | | October 2018 | 2 years |
| Salar Farzad | ● | | June 2017 | 3 years |

| | Staffing Solutions | Customer service/ marketing | People | Operations | International | Technology | Regulatory | Finance |
|---|---|---|---|---|---|---|---|---|
| Patrick Shanley (Chair) | ● | ● | ● | ● | ● | ● | ● | ● |
| Richard Bradford | ● | ● | ● | ● | ● | ● | ● | ● |
| David Lawther | | ● | ● | ● | ● | ● | ● | ● |
| George Materna | ● | ● | ● | ● | ● | | | |
| Kevin Freeguard | ● | ● | ● | ● | ● | ● | ● | ● |
| Salar Farzad | ● | ● | ● | ● | ● | ● | ● | ● |

Board of Directors

# The right mix of skills and experience

| | Patrick Shanley<br>**Independent Non-Executive Chairman** | Kevin Freeguard<br>**Chief Executive Officer** | Salar Farzad<br>**Chief Financial Officer** |
|---|---|---|---|
| **Appointment** | December 2015 | October 2018 | June 2017 |
| **Committee membership** | ● ● | | |
| **Skills and experience** | Patrick has extensive boardroom experience having previously been Chairman of chemicals business, Accsys Technologies, 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. | Kevin was previously Managing Director for Verifone from 2015 to 2018 and has extensive international and business transformation experience across multiple sectors including Financial Services, Technology and Industrial, having held senior leadership positions with organisations such as De La Rue, Siemens and Motorola. | Salar, a chartered accountant, has a background of finance leadership in high-paced international businesses experiencing significant change. His previous roles include Group CFO of Zodiak Media, Global Finance Director of Macmillan Science & Education, CFO of 2 Entertain, CFO of MTV Networks International and finance leadership roles with EMI Music within its North American and digital operations. His early career was with Price Waterhouse in Audit followed by lead advisory M&A. |

**Key to Committee membership**

- Audit Committee
- Nomination Committee
- Remuneration Committee
- (C) Chairman

## George Materna

**Non-Executive Deputy Chairman**

July 1984

George has over 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. The Board does not consider George to be independent.

## Richard Bradford

**Independent Non-Executive Director**

August 2011

Richard is Chairman of InHealth Group, the leading independent UK provider of Diagnostic Services and investor in digital health ventures. He is a Director and Deputy Chair of IHPN, and has a background in leading service businesses, in his early career in Logistics and then for 11 years as Chief Executive of Carlisle Group up to and including the merger to create Impellam.

## David Lawther

**Independent Non-Executive Director, Senior Independent Director[1]**

June 2018

David is a senior leader in the global construction industry. He was formerly CEO at ISG Plc, where he grew the company to a £1.6bn turnover, operating internationally in 26 countries – gaining its reputation as a world-leading fit-out specialist focused on commercial, retail and data centres. Prior to that, David was Chief Financial Officer at ISG. David has served as the Group Finance Director for Wilson Connelly Holdings, a quoted house builder and commercial property developer operating across the UK. David is also currently a non-executive chairman for Syntegragroup plc and senior independent non-executive for Maris LLP.

## Katie Selves[2]

**Group Company Secretary and General Counsel**

December 2017

Katie was appointed as General Counsel in October 2018. With over 11 years' experience in private practice in the City of London, Katie joined the Group in 2016 as Head of Employment and was promoted to Group Company Secretary and Head of Legal and Compliance in December 2017. Prior to qualifying as a solicitor, Katie worked as an HR specialist and is a chartered member of the Chartered Institute of Personnel and Development. In her role as Company Secretary, Katie advises the Board on all governance matters.

1 David Lawther was appointed as Senior Independent Director on 10 December 2019.

2 Katie Selves is not a member of the Board.

**Note**: Keith Lewis was an Executive Director of the Board and Chief Operating Officer until he resigned on 5 November 2019.

# QCA Code compliance

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code. Set out below is our Statement of Compliance with the key principles of the QCA Code.

| | Governance Principle | Compliant | Explanation | Further Reading |
|---|---|---|---|---|
| 1 | Establish a strategy and business model which promotes long-term value for shareholders. | ✓ | By providing recruitment solutions and support to both clients and candidates with engineering and technology skills, we help to unleash potential in people, projects and companies. | See pages 12 to 23 |
| 2 | Seek to understand and meet shareholder needs and expectations. | ✓ | The CEO and CFO communicate regularly with shareholders, investors and analysts, including at our half-yearly results roadshows. The full Board is available at the Annual General Meeting ('AGM') to communicate with shareholders. | www.gattacaplc.com/investors/corporate-governance |
| 3 | Take into account wider stakeholder and social responsibilities and their implications for long-term success. | ✓ | In addition to our shareholders, our clients, candidates, contractors, suppliers and employees are our most important stakeholders. We engage with these communities via regular communications in our day-to-day activities, and via formal feedback requests. | See pages 21 and 34 to 43 |
| 4 | Embed effective risk management, considering both opportunities and threats, throughout the organisation. | ✓ | Ultimate responsibility for risk management rests with the Board but day-to-day management of risk is delivered through the way we do business and our culture. | See pages 44 to 53 |
| 5 | Maintain the Board as a well-functioning, balanced team led by the Chair. | ✓ | The Board has three established Committees for Audit, Nominations and Remuneration. The composition and experience of the Board is reviewed regularly, primarily by the Nominations Committee. | See pages 73 to 75 (Nominations Committee Report) |
| 6 | Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities. | ✓ | The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities, including experience of the recruitment, technology and international markets. | See pages 57 to 59 |

# The CEO and CFO communicate regularly with shareholders, investors and analysts

| | Governance Principle | Compliant | Explanation | Further Reading |
|---|---|---|---|---|
| 7 | Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement. | ✓ | The Board regularly considers the effectiveness and relevance of its contributions, any learning and development needs and the level of scrutiny of the Senior Management Team. During the 2019 financial year the Board commissioned an independent Board Evaluation which included face-to-face interviews with all Directors and members of the operational Management Board. The output of the Evaluation was presented to the Board during this financial year, and included a formal report and an informal feedback session which was attended by the whole Board. | See page 64 |
| 8 | Promote a corporate culture that is based on ethical values and behaviours. | ✓ | Our Code of Professional Conduct sets out our corporate values and behaviours, which are reinforced via training and performance management. | See pages 34 to 36 |
| 9 | Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board. | ✓ | The Board is responsible for the Group's overall strategic direction and management, and for the establishment and maintenance of a framework of delegated authorities and controls to ensure the efficient and effective management of the Group's operations. The Board maintains a list of matters reserved for the Board. | See pages 44 to 45 and www.gattacaplc.com/investors/corporate-governance/role-of-the-board |
| 10 | Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. | ✓ | The Investors section of our website includes our results, presentations and communications to shareholders. We release the results of general meetings through a regulatory news service and also on the Regulatory News section of our website. | www.gattacaplc.com/investors |

## Board composition

The Board, via the Nominations Committee, regularly reviews the composition of the Board. At the date of this report, the Board has four Non-Executive Directors, including the Chairman. The Board considers the independence of the Board annually to determine independence from management on the basis that the Directors have no business or other relationship that could interfere materially with the exercise of their judgement. Due to George Materna's long-standing relationship with the Group and his material shareholding, the Board does not consider George Materna to be independent. The composition of the Board as at the date of this report therefore comprises three Independent Directors and three Non-Independent Directors (including Executive 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 accordance with best practice, all Directors will retire at the AGM and, being eligible, will offer themselves for election or re-election.

# Corporate Governance Statement continued

## Governance structure

The Board has three established Committees for Audit, Nominations and Remuneration which each have Terms of Reference that are reviewed at least bi-annually. The Terms of Reference for all Committees were reviewed, updated and formally approved by the Board in November 2019. Copies of the Terms of Reference are available on the Group's website or on request from the Company Secretary.

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 summarised below:

## Board Responsibilities

| | Maximum formal meetings | Meetings attended |
|---|---|---|
| Patrick Shanley (Chair) | 9 | 9 |
| Richard Bradford | 9 | 9 |
| David Lawther | 9 | 9 |
| George Materna | 9 | 9 |
| Kevin Freeguard | 9 | 9 |
| Salar Farzad | 9 | 9 |
| Keith Lewis[1] | 3 | 3 |

1 Resigned on 5 November 2019.

### Audit Committee

**The Committee monitors the integrity of the interim and Annual Report and Accounts and formal announcements relating to the Group's financial performance. It reviews significant financial reporting issues, accounting policies and disclosures, key judgements, reviews the effectiveness of internal controls, as well as overseeing the engagement and scope of the annual audit.**

**The Audit Committee report on pages 68 to 72 contains further information on the Committee's role and activities.**

### Nominations Committee

**The Committee reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board with regard to any changes required to ensure an appropriate balance of skills, expertise, knowledge, diversity and independence.**

**The Nominations Committee report on pages 73 to 75 contains further information on the Committee's role and activities.**

### Remuneration Committee

**The Committee reviews and makes recommendations as to the Directors' remuneration, including benefits, terms of appointment and share schemes.**

**The Remuneration Committee report on pages 76 to 83 contains further information on the Committee's role and activities.**

The Board recognises its employment, environmental and health and safety responsibilities and 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.

The Board approves a business plan and annual budgets for individual business units and the Group. All Directors receive regular and timely information on the Group's operational and financial performance, including detailed Executive and Operational Board reports which are provided in advance of all Board meetings and which report on performance (actual and forecasted) against the agreed budget and any significant variances. We report to our shareholders on a half-yearly basis. Members of the Senior Management Team regularly present at Board meetings to provide detailed information on their business units and central functions and to allow an opportunity for Directors to review and assess matters requiring decision or insight.

The following matters are reserved for the Board:

- 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 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 Executive Committees
- 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
- Oversight of the Group's health and safety policy

## Conflicts of interest

Each Director is required, in accordance with Companies Act 2006, to declare on appointment any interests that may give rise to a conflict of interest with the Company and its subsidiaries 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.

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

There are effective procedures in place to monitor and deal with conflict of interest. The Board is aware of the other commitments and interests of its Directors, and Directors are required to report any changes to these commitments and interests to the Board for discussion and, where appropriate, agreement. There were no notified conflicts of interest during the 2020 financial year.

## Information and support

Directors are regularly briefed on regulations which affect the business through presentations arranged by our advisers and our leadership team. During the year we specifically covered anti-bribery, IR35, corporate governance requirements regarding stakeholder engagement, collective consultation obligations, and the UK Government Coronavirus Job Retention Scheme. Directors are also encouraged to remain up to date through independent seminars and continuous professional development courses.

The Board also receives regular updates on matters of corporate culture via the Executive Report, compliance updates to the Audit Committee (including details of matters raised via the Speak Up reporting service, as appropriate) and regular presentations from the Group HR Director and General Counsel. Our usual practice is to rotate Board meetings throughout our two main UK offices, providing the opportunity for Non-Executive Directors to experience the working culture and to gain greater understanding of all areas of the Group's business, although our Board meetings in the period April to July 2020 inclusive were held remotely due to COVID-19.

## Corporate Governance Statement continued

The Group receives advice from a number of external advisers. Specific advisers to the Board committees are set out in the Committee reports at pages 68 to 83. During the year, the Board received specific advice on the structuring of its finance arrangements in relation to the impact of COVID-19, and the Group's continued cooperation with the US Department of Justice.

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 Group's expense in conducting their duties. In accordance with the Articles of Association and the Group Delegation of Authorities Policy, the appointment and removal of the Company Secretary is a matter for the whole Board.

### Board Evaluation

During the financial year, and in line with principle 7 of the QCA Code, the effectiveness of the Board was assessed through an external Board evaluation process. The review was conducted by Professor Stuart Timperley who has no connections with the Company save that he had compiled a similar review for the Chairman at Accsys Technologies in 2017. One to one meetings were held with each Director, Company Secretary and a number of members of the Management Board. Several Board members had subsequent follow up discussions. The review covered 7 key areas of good corporate governance as regards the structure and operation of the Board: composition and membership, dynamic/effectiveness, meetings, structure and committees, succession, capability and strategic development.

The results were presented to the Board by Professor Timperley at a dedicated off-site session. The overall conclusion was that the Board was performing well and had seen some notable improvements although as the results were the first external assessment for some considerable time, any improvements were anecdotal. The Board had a clear understanding of its role relative to the business, however, as results had suffered over recent times it had needed to rebalance between short term and strategy.

The composition of the Board is fairly small but has good experience, knowledge and networks. The financial area is well covered, as is sound general management experience from a CEO perspective. Diversity was a major concern and one which needs to be addressed as the Board composition changes. Further, the balance of the Board needs to be considered with two independent NEDs, Chairman and three non-independent Directors.

There was a real sense of good progress being made in terms of the functioning of the Board with meetings regularised, well prepared and managed with good discipline. Equally there were a number of insights on how we might develop going forward and the Board will address these.

The division of responsibilities between the Chairman and Chief Executive is well set out as are 'The Role of the Board' and its three committees. The schedule of matters reserved for the Board is considered appropriate and is regularly and properly reviewed. Equally the Board has frequent interaction with members of the Management Board and other senior managers through presentations on a regular basis.

The review focussed on the strategic development of the Company, and the emphasis on strategy and defining the nature of growth was well articulated by Board members. It also illustrated the emerging clarity, identification of strategic delivery and the need for focus as perceived by the Board.

Succession planning remains a key area of concern and challenge as in many small businesses. It is a key priority not only for senior roles across the business but also for future non-executive positions bearing in mind the need for diversity. The Nominations Committee has a clear road map of changes to non-executive roles over the coming two year period and of the depth and quality of management across the Company.

As a result of the pandemic a formal review of the performance of all individual Directors by the Chairman and a review of the Chairman by the Senior Independent Director was deferred to the following financial year.

# Directors' Report

## Directors

The Directors have the benefit of an indemnity covered by insurance which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The Company has granted this indemnity in favour of the Directors of the Company as is permitted by Section 232–235 of the Companies Act 2006. The indemnity was in force during the full financial year up to the date of approval of the financial statements. 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.

## 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 31 July 2020:

| Shareholder | % |
|---|---|
| George Materna | 24.40 |
| MMGG Acquisition Ltd | 15.97 |
| Chelverton Asset Management | 6.10 |
| HRNetGroup | 5.87 |
| Paul Raine | 5.52 |
| Winterflood Securities | 3.55 |

Subsequent to the year end, the Company has not been notified of any changes to significant shareholdings. As at 31 July 2020, approximately 27% of the Company's share capital was held by Directors, senior management and other employees.

The Group made no donations for political purposes either in the UK or overseas during the year (2019: £nil).

## 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 single supplier arrangement is considered essential to the business of the Group.

## 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 regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and Company Financial Statements in accordance with IFRSs as adopted by the European Union.

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 Company and of the profit or loss of the Group and Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group Financial Statements and IFRSs as adopted by the European Union have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Directors' Report continued

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

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

## 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.

## Audit exemption

For the year ended 31 July 2020, Gattaca plc has provided a legal guarantee under s479A of the Companies Act 2006 to the following companies:

- Alderwood Education Ltd
- Application Services Limited
- Barclay Meade Ltd
- Cappo Group Limited
- Cappo International Limited
- CommsResources Limited
- Connectus Technology Limited
- Gattaca Solutions Limited
- Matchtech Group (Holdings) Limited
- Matchtech Group (UK) Limited
- Networkers International Limited
- Networkers International (UK) Limited
- Resourcing Solutions Limited
- The Comms Group Limited

This guarantee is dated 3 November 2020 and all the above entities have 31 July year ends.

## Auditor

In December 2019, the Board proposed, and shareholders approved at the AGM, the appointment of PwC LLP as the Company's registered independent public accounting firm for the financial year ended 31 July 2020, with Matthew Hall as the senior statutory auditor. Due to the relocation of Matthew Hall, Julian Gray was subsequently appointed as our senior statutory auditor for the audit of our financial year ended 31 July 2020. The Board has decided to propose the reappointment of PwC LLP and a resolution concerning its reappointment will be proposed at the forthcoming AGM.

## Company registered office

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

## Company registered number

04426322

Further information on the following areas (which are incorporated into this Report by reference) can be found as follows:

| | |
|---|---|
| A full description of the Group's principal activities, business performance, likely future developments, principal risks and uncertainties | See pages 1 to 53 |
| Anti-Bribery and Corruption Statement | www.gattacaplc.com/investors/corporate-governance/statements |
| Company's Articles of Association | www.gattacaplc.com/investors/shareholder-information/AIM-Rule-26 |
| Corporate culture | See pages 34 to 39 |
| Corporate responsibility (including environmental responsibilities and charitable donations) | See pages 34 to 39 |
| List of Directors serving at the date of this Report | See pages 58 to 59 |
| List of principal subsidiary undertakings | See page 66 |
| Main Committees of the Board and their activities | See page 62 |
| Stakeholder engagement (including employee engagement and our commitment to equal opportunities) | See pages 40 to 43 and 67 |
| Statement of Going Concern | See pages 45 to 46 |
| Use of financial instruments and financial risk management | See pages 33, 48 and 134 to 135 |
| Viability Statement | See page 47 |

## Commitment to equal opportunities

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.

Fair and full consideration is given to applications from disabled persons having regard to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled. Opportunities for training, career development and promotion are, as far as practicable, identical for all employees. The Group consistently seeks to recruit, develop and employ suitably qualified, capable and experienced people in an environment of equal opportunity.

Diversity is important to us; 46% of our global workforce at 31 July 2020 were women, including 22% of our global leadership team.

## Cautionary statement

Under the Companies Act 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.

Approved by the Board and signed by order of the Board by:

**Katie Selves**
**Group Company Secretary and General Counsel**
3 November 2020

Audit Committee Report

# Providing oversight and guidance

*"The Audit Committee continues to provide assurance that shareholders' interests are being properly protected by appropriate financial management, reporting and internal controls."*

**David Lawther**
Independent Non-Executive Director

83% Attendance

4 Meetings

## Committee activities 2020

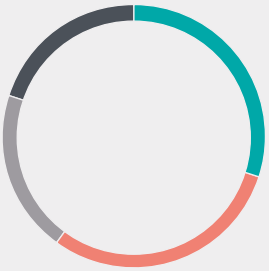
- Reviewing accounting policies and financial reports including key judgemental matters of accounting and disclosure
- Reviewing the Group's tax strategy
- Monitoring the Group's internal financial control environment including reviewing internal audit results
- Meeting with and assessing the effectiveness of the Company's external auditors

## Committee members

**David Lawther (Chair)**
George Materna
Richard Bradford

## Committee experience

| | |
|---|---|
| Management | 30% |
| Industry | 30% |
| Finance | 20% |
| Recruitment | 20% |



I am pleased to present the Audit Committee's ('the Committee') Annual Report on its activities for the period up to the review of our 2020 Annual Report and Accounts.

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 would welcome questions from shareholders on any of the Committee's activities, at CoSec@gattacaplc.com.

## Aims and objectives

The Committee monitors the integrity of the financial statements of the interim and annual reports 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, key judgements 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.

It monitors the relationship with the Group's independent auditor including the consideration of audit fees and independence.

## Membership of the Committee

During the year to 31 July 2020, the Committee comprised David Lawther (Chairman), George Materna and Richard Bradford.

David Lawther qualified as a chartered accountant in 1983. The Board considers him to have recent and relevant financial experience that befits his role as Chairman of the Audit Committee.

After the year end, it was agreed that George Materna would step down and Patrick Shanley would join the Audit Committee for the 2021 cycle.

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 four times during the year.

| NED | Maximum meetings | Meetings attended |
|---|---|---|
| David Lawther (Chair) | 4 | 4 |
| Richard Bradford | 4 | 2 |
| George Materna | 4 | 4 |

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 period from the last report to the date of this report, the Committee met privately with the independent auditor. The Committee Chairman also met privately with the outgoing senior statutory auditor, John Minards, as well as the incoming senior statutory auditor, Julian Gray, outside of the Committee meetings.

## Operation of the Committee

The Committee reviews and updates the Terms of Reference regularly, to conform to best practice, which are subject to approval by the Board. 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.

## Audit Committee Report continued

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 Committee approves the terms of all audit and non-audit services provided by the company's Auditors to ensure audit objectivity is maintained.

The main activities of the Committee during the period since the last Report were as follows:

Financial Statements: the Committee reviewed the Interim and Annual Reports. Management and PwC gave presentations 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 98. Management produces working capital forecasts on a regular basis. The Board reviews those forecasts, particularly ahead of the publication of Interim and Annual results. In addition for 2020, the uncertainty in economic conditions created by the COVID-19 pandemic has resulted in detailed forecasts being more regularly scrutinised by the Board to ensure that all relevant events and conditions are being incorporated that might affect both short, medium and long term performance. 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 page 47.

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 and estimation uncertainty. Further information is set out in Notes 10 and 16 to the Financial Statements. The provisions held by the Group as at 31 July 2020 were reviewed by management. The Committee agreed with management's assessment of the Group's tax provisions. The Committee reviewed the Group's Tax Strategy which was approved by the Board in July 2020.

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 PwC 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: as part of the Committee's policy, certain specialist internal audit work is undertaken by external organisations. In 2019, the Group appointed KPMG as internal auditors and in 2020 they started to undertake a 12-month programme of testing focusing on the financial and non-financial processes and controls at the head office function in the UK. In addition, the Group undertook a number of internal audit and compliance reviews, both of financial and operational activities, including as part of its International Organization for Standardization ('ISO') accreditations (see page 56). The Group 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.

## 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 addresses |
|---|---|
| **Revenue recognition and recoverability of accounts receivables** | The Group has well-developed accounting policies for revenue recognition as shown in Note 1 to the Financial Statements. The Committee receives reports from management and from the auditors to ensure that the policies are complied with across the Group.<br>The Board receives regular reports on the collectability of aged accounts receivables and accrued income.<br>On the basis of these reports, the Committee concluded that it was content with the judgements that had been made. |
| **Goodwill and acquired intangibles: assessment for impairment** | As set out in Notes 1 (parts 1.10 and 1.11) and 13 to the Financial Statements, following the acquisition of Networkers in 2015, the Group recognised significant goodwill and finite life intangible assets.<br>The acquisition of Resourcing Solutions Limited in February 2017 further increased the Group's goodwill and finite life intangible assets.<br>Goodwill and intangible asset impairment calculations (including assumptions about future performance of the Group) and sensitivities are undertaken at least annually by management and reviewed by the Board and the Committee.<br>Based on the impairment reviews as at 31 July 2020 and reflecting on the decisions arising from management's detailed review of operations, the Committee agreed with management's recommendation that an impairment charge of £0.3m should be made in connection with the goodwill and finite life intangible assets in Networkers. The Committee also considered and agreed the appropriateness of the sensitivity analysis disclosures. |
| **Contingent liabilities** | As previously announced and further discussed on page 137, the Group is cooperating with the United States Department of Justice regarding certain factual enquiries. The Group is not currently in a position to know what the outcome of these enquiries may be and whether this line of enquiry will lead to any liabilities for the Company or its subsidiaries. The Committee has received regular reports from management in respect of the ongoing enquiries and, on that basis, has agreed with the conclusion management has reached in respect of contingent liabilities. |
| **Accounting for and disclosure of non-underlying items** | The Committee considered the accounting for and disclosure of non-underlying items (see Note 4 to the Financial Statements). The Committee reviewed with management and discussed the accounting and disclosure with the Company's auditors. The Committee concluded it was content with the accounting for and disclosure of non-underlying items. |
| **COVID-19** | The Committee considered the continuing impact of the COVID-19 pandemic on the cash flows and liquidity of the Group, particularly in relation to the preparation of the Group's financial statements on a going concern basis and the assessment of the Group's viability. Appropriate financial modelling has been undertaken to support the assessment of the business as a going concern with no material uncertainty from COVID-19 and in support of viability. More detail is given on page 70. The Group and Company's going concern and Viability Statements are set out on pages 45 to 47. |

Shareholders' attention is drawn to the section titled 'Responsibilities for the financial statements and the audit' in the Report from the independent auditor on pages 86 to 91, about specific areas as reported by the independent auditor in order to provide its opinion on the Financial Statements as a whole.

# Audit Committee Report continued

## Independent auditor: reappointment

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) ('ISAs'), issued by the Auditing Practices Board.

There are no contractual obligations that act to restrict the Committee's choice of external auditor.

In December 2019, the Board proposed and shareholders approved at the AGM, the appointment of PwC LLP as the Company's registered independent public accounting firm for the financial year ended 31 July 2020.

This year, having considered the effectiveness and performance of the independent auditor (including reviewing the Financial Reporting Council's Audit Quality Inspection report on PwC LLP issued in July 2020), the Committee has recommended to the Board the reappointment of PwC 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, estimates, judgements and observations on the control environment
- An opinion on whether the Group and Company Financial Statements are true and fair
- An internal control report to the Committee, 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 4 to the Financial Statements. Non-audit fees were £nil in both 2020 and 2019.

The Committee concluded that the level of non-audit fees, which represent 0% (2019: 0%) of the audit fees for the Group, did not have a negative impact on PwC'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, 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.

## Approval

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

**David Lawther**
**Chairman of the Audit Committee**
3 November 2020

Nominations Committee Report

# Ensuring the structure of the Board

*"The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities."*

**George Materna**
Chairman of the Nominations Committee

100% Attendance

2 Meetings

## Committee activities 2020

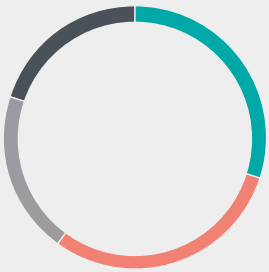
- Appointment of David Lawther as Senior Independent Director with effect from 10 December 2019
- Review of the structure, size and composition of the Board and its Committees
- Consideration of succession plans for the Board and operational Management Board

## Committee members

**George Materna (Chair)**
Patrick Shanley
Richard Bradford

## Committee experience

| | |
|---|---|
| Management | 27% |
| Industry | 27% |
| Finance | 19% |
| Recruitment | 27% |



# Nominations Committee Report continued

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

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

After over nine years' service as a Non-Executive Director, and current Chair of the Remuneration Committee, Richard Bradford has confirmed that he will be stepping down at the AGM in December 2020.

Richard has been a tremendous stalwart of the Board and on behalf of the Board I would like to thank him for his highly significant and intelligent contribution to the business, and wish him every success in the future.

As previously announced, David Lawther was appointed our Senior Independent Director with effect from 10 December 2019. David will move from his current role as Chair of the Audit Committee to Chair the Remuneration Committee at the AGM in December 2020.

A full and proper process to recruit to new Chair for the Audit Committee, engaging The Inzito Partnership to provide independent search advice, is under way.

The Committee continues to review succession planning and Board composition.

## Aims and objectives

The aims and objectives of the Nominations Committee are set out in the Nominations 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 the operational Management Board, as appropriate;
- identify and nominate, for Board approval, candidates to fill Board and operational Management Board 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 Chair of each Committee

The Nominations Committee, assisted by an external executive search agency, primarily manages appointments to the Board, but all Board members have the opportunity to meet shortlisted candidates, thus ensuring a wide range of feedback in the appointment process.

All Executive Directors are engaged on a full-time basis. Non-Executive Directors have letters of appointment stating their annual fee, their re-election at forthcoming AGMs, the minimum required time commitment and that their appointment is subject to satisfactory performance. Their appointment may be terminated with a maximum of three months' written notice at any time. Copies of letters of appointment are available at the Group's registered office during normal business hours, and will also be available for inspection prior to and during the AGM.

The remuneration of the Chairman and Non-Executive Directors is determined by the Board following proposals from the Nominations Committee, within the limits set out in the Articles of Association, including reviewing the level of fees paid by comparator companies.

## Membership of the Committee

During the relevant year, the Committee comprised its Chair, George Materna, and Patrick Shanley and Richard Bradford, both Independent Non-Executive Directors, who have been members of the Committee since 2006, 2017 and 2013 respectively.

## Meetings and attendance

The Committee met twice during the year.

| NED | Maximum meetings | Meetings attended |
|---|---|---|
| George Materna (Chair) | 2 | 2 |
| Patrick Shanley | 2 | 2 |
| Richard Bradford | 2 | 2 |

## Nominations Committee activities

The key activities during the year have been in reviewing the structure, size and composition of the Board and its Committees. The Board is satisfied that its current composition includes an appropriate balance of skills, experience and capabilities, including experience of the Recruitment, Technology and International markets.

## Priorities for the coming year

In the coming year, the Committee will:

- continue to monitor the composition and effectiveness of the Board and its Committees, specifically in relation to the balance of Independent and Non-Independent Directors;
- continue to review succession plans for the Board and operational Management Board; 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 a diverse and inclusive culture as an essential element in maintaining Board effectiveness, our ability to respond to our diverse customer and stakeholder needs, and the long-term success of the Group.

The Board appreciates the range of perspectives, insights and challenge needed to support good decision making that a diverse culture brings. All appointments to the Board and its Committees will be made on merit, taking into account suitability for the role, composition, independence and balance of the Board, diversity of skills, background, knowledge, international and industry experience, tenure, age, gender, ethnicity, disability and sexual orientation.

## Information and training

All Directors have access to the advice and services of Katie Selves, 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**
3 November 2020

Remuneration Committee Report

# Remuneration to support the Group's goals

*"The Committee believes its outcomes for 2020 and its approach to remuneration in 2021 is appropriate in these unprecedented times."*

**Richard Bradford**
**Chairman of the Remuneration Committee**

92% Attendance

4 Meetings

## Committee activities 2020

Gattaca's Remuneration Policy was approved by shareholders at the 2019 AGM. No changes are being proposed to the policy and our approach to Directors' remuneration will be in line with the policy that was fully disclosed in last year's annual report.

On behalf of the Board, I am pleased to present the Remuneration Committee's ('the Committee') report for the year ended 31 July 2020.

The stated aim of our Policy is to:

- Attract, motivate and retain Executives in order to deliver the Group's strategic goals and business outputs;
- Encourage and support a high-performance sales and service culture;
- Adhere to the principles of good corporate governance and appropriate risk management; and
- Align Executives with the interests of shareholders and other key stakeholders

# We are committed to hearing, and taking active interest in, your views as shareholders

## Committee members

**Richard Bradford (Chair)**
Patrick Shanley
David Lawther

## Committee experience


## Business context and remuneration outcomes for 2020

The 2020 full year results for the Group show continuing underlying profit before tax ('PBT') of £4.6m. This was 61% lower than the prior year primarily due to the trading downturn driven by the COVID-19 pandemic. Continuing underlying basic EPS fell from 28.4 pence to 10.3 pence. COVID-19 continues to impact the global economy, the decisions the Committee made on remuneration were taken in this context.

Following the outbreak of the COVID-19 pandemic, Executive Directors, the Management Board and Non-Executive Directors took swift action to preserve cash and took a voluntary 20% reduction to salaries and fees for the period from 1 April 2020 to the end of the financial year (31 July 2020). Additionally, UK employees took a 20% reduction in pay and hours from 1 April 2020 to the 30 June 2020.

The 2020 Annual Bonus was based 60% on Group financial performance (split 75% Profit Before Tax and 25% NFI (Gross Profit) growth) and 40% on personal targets aligned with the implementation of the Improvement Plan. Reflecting the impact of the pandemic on our business, the Committee has determined that no bonus awards should be made to Executive Directors in respect of the financial year ending 31 July 2020. This was despite a number of personal objectives being achieved. The Remuneration Committee believes this use of discretion in not making any potential payment is appropriate given the overall performance of the business during the year.

## Implementation of Policy in 2020/2021

For the FY21, there will be no changes to Executive Directors' base salaries or Non-Executive Directors' fees. However, following voluntary reductions as set out above, salaries have been restored to 100% as of 1 August 2020 at their previous 2019 levels.

Consistent with the above themes and given the recent but significant impact of COVID-19 on the business, the Remuneration Committee has decided that no bonus plan will be set for the year. However, at the half year, the Remuneration Committee will consider whether a bonus should operate for the second half of the financial year and, if it feels it is appropriate to do so, appropriately stretching targets and objectives will be set at the time taking into account performance for H1. In this event, the maximum opportunity will be no more than 50% of salary.

The Remuneration Policy provides the opportunity to grant Executive Directors LTIP awards with a face value of 120% of base salary in shares. However, reflecting the current share price, the Remuneration Committee has decided the FY21 grant level should be reduced to 50% of salary. The vesting of these will be subject to a cumulative underlying PBT performance condition measured over a three-year performance period ending 31 July 2023.

Following a difficult year for Gattaca, the Remuneration Committee believes the remuneration outcomes for 2020 and its approach to remuneration in 2021 is appropriate in these unprecedented times.

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 CoSec@gattacaplc.com.

On behalf of the Committee and Board,

**Richard Bradford**
**Chairman of the Remuneration Committee**
3 November 2020

# Remuneration Committee Report continued

## Directors' Remuneration Policy

The Group's remuneration strategy is to provide a remuneration framework based on the following five principles:

1. Attract, motivate and retain Executives in order to deliver the Group's strategic goals and business outputs.
2. Encourage and support a high-performance sales and service culture.
3. Recognise and reward delivery of the Group's business plan and key strategic goals.
4. Adhere to the principles of good corporate governance and appropriate risk management.
5. Align Executives with the interests of shareholders and other key stakeholders.

The Committee believes that the remuneration structure in place will support and motivate our Executive Directors in furthering 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.

Full detail of the Remuneration Policy can be found on the Gattaca plc website (www.gattacaplc.com/investors).

## 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 | Higher duties allowances[1] £'000 | Taxable benefits[2] £'000 | Bonus £'000 | Long-term incentives[3] £'000 | Pension £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Kevin Freeguard[4] (Chief Executive Officer) | **2020** | **280** | **–** | **12** | **–** | **–** | **28** | **320** |
| | 2019 | 229 | – | 9 | 181 | – | 23 | 442 |
| Salar Farzad[5] (Chief Financial Officer) | **2020** | **211** | **–** | **13** | **–** | **–** | **21** | **245** |
| | 2019 | 220 | 33 | 13 | 174 | – | 29 | 469 |
| Keith Lewis[5,6] (Chief Operating Officer) | **2020** | **163** | **–** | **5** | **–** | **–** | **5** | **173** |
| | 2019 | 200 | 30 | 13 | – | – | 26 | 269 |
| Brian Wilkinson[7] (Chief Executive Officer) | **2020** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** |
| | 2019 | 6 | N/A | N/A | N/A | N/A | N/A | 6 |

1 Higher duties allowance was paid during FY19 in respect of additional responsibilities taken on during the period from Brian Wilkinson's resignation to the appointment of Kevin Freeguard.

2 Taxable benefits comprise car benefits and private medical insurance.

3 Long-term incentives vesting relate to the performance in the financial year. See details on long-term incentive values on page 79.

4 Kevin Freeguard was appointed as CEO on 1 October 2018.

5 Pension remuneration for Salar Farzad and Keith Lewis has been restated for 2019.

6 Keith Lewis resigned on 5 November 2019. 2020 base salary included a payment of £100,000 in lieu of notice.

7 Brian Wilkinson resigned on 7 February 2018. 2019 base salary included a payment of £6,000 in lieu of notice.

## Fixed remuneration

The average salary for Executive Directors increased by 5% on 1 August 2019 (FY19: no increase) in line with the implementation of Policy published in last year's report. The increase was offset by the 20% voluntary salary reduction from April to July 2020 as a result of the COVID-19 pandemic.

## Annual bonus outcomes for the financial year ending 31 July 2020 (Audited information)

For 2020, the Executive Directors' maximum bonus opportunity was 100% of salary. The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director.

Based on this performance the CEO earned no bonus in 2020 (2019: £181,000) and the CFO earned no bonus in 2020 (2019: £174,000) equivalent to 0% of maximum opportunity, respectively.

| Performance measure | Weighting (% of maximum bonus opportunity) | Threshold performance (0% of bonus payable) | Target performance (67% of bonus payable) | Maximum performance (100% of bonus payable) | Actual performance | % of maximum bonus payable |
|---|---|---|---|---|---|---|
| Continuing underlying profit before tax | 45% | £11.5m | £12.5m | £14.0m | £4.6m | 0% |
| Net Fee Income from continuing business (Gross Profit) | 15% | £69.6m | £75.9m | £85.1m | £54.3 | 0% |
| Personal objectives | 40% | Reflecting on the impact of the pandemic on our business, the Committee has determined that no bonus awards should be made to Executive Directors in respect of the financial year ending 31 July 2020. This was despite a number of personal objectives being achieved. | | | | 0% (CEO & CFO) |
| **Total** | | | | | | 0% (CEO & CFO) |

## Long-term incentives vesting for performance related to financial year ending 31 July 2020

LTIP Awards were granted on 03 February 2017 and were released on 03 February 2020. These Awards were granted subject to the achievement of certain EPS growth and TSR (Total Share Return) targets which were measured over three financial years ending 31 July 2019. The table below summarises these awards:

| | Number of nil cost options granted | Performance measures | Performance targets per annum | Performance outcome | Number of awards vesting | Value of awards shown in the single figure table |
|---|---|---|---|---|---|---|
| Keith Lewis[1] | 61,688 | Cumulative compound growth in adjusted diluted EPS | 50% of the awards vest based on achieving cumulative compound growth in adjusted diluted EPS:<br>• Below 6% growth: 0% vesting<br>• Between 6%–15% growth: straight line vesting between 25.0%–100%<br>• Above 15% growth: 100% vesting | 0% | 0 | Nil |
| | | Relative TSR versus peer group median | 50% of the awards vest based on achieving relative TSR:<br>• Median TSR, 25% vesting.<br>• Median TSR +9%, 100% vesting, and straight-lines vesting between points. | 0% | 0 | Nil |

1 Resigned on 5 November 2019.

# Remuneration Committee Report continued

## Long-term incentive awards made during the year

LTIP awards made on 20 January 2020 were equivalent to a face value of 120% of salary for each Executive Director. The awards granted are summarised in the table below:

| | Number of options granted | Performance measures and targets | Vesting date | Exercise price |
|---|---|---|---|---|
| Kevin Freeguard | 290,323 | The award is based on achieving cumulative compound growth in adjusted diluted EPS over a three-year period ending 31 July 2023.<br>Targets:<br>Below 10% growth per annum: 0% vesting<br>10% growth per annum: 25.0% vesting<br>Between 10%–25% growth per annum: straight-line vesting between 25%–100%<br>Above 25% growth per annum: 100% vesting | 20 January 2023 | £0.01 |
| Salar Farzad | 219,290 | | | |

## SIP awards granted in 2020 (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 |
|---|---|---|
| Kevin Freeguard | – | – |
| Keith Lewis[1] | – | – |
| Salar Farzad | – | – |

1 Resigned on 5 November 2019.

## Payments to past Directors or for loss of office

Keith Lewis resigned from his position as Chief Operating Officer and left the Group on 5 November 2019. His outstanding share awards, including the LTIP awards granted in February 2017 which were capable of vesting in February 2020, lapsed.

A final payment of £113,141 was paid to Keith Lewis in November 2019, comprising base salary, car allowance, employer pension, payment in lieu of annual leave and payment in lieu of notice. There were no other payments made during the year in respect of past Directors or for loss of office.

## 1. Implementation of Policy in 2019/2020

### Fixed remuneration

As a result of business trading and the COVID-19 Pandemic, the Board have made the decision this year that there will be no wholesale salary review. No salary increases have been applied to the Executive Directors.

Although it does not apply directly to Gattaca as an AIM company, the Committee is mindful of the UK Corporate Governance Code requirements and investor sentiments relating to executive pension levels and post-employment shareholding requirements.

The Committee has concluded that the current executive directors' pension contribution rate of 10% of salary is appropriate for this year and reflect the terms agreed on joining the Board. However, for any new executive director appointments (including promotions), the pension contribution level will be capped at the workforce contribution rate of 5% of salary. The Remuneration Committee will continue to monitor best and market practice on pensions and other corporate governance related matters over the course of the year.

### Bonus

The Remuneration Committee has determined that no bonus scheme will be in operation at the start of the year. However, at the half year the Committee will consider whether it is appropriate to operate a H2 annual bonus scheme. If it does decide to operate one, the targets and objectives will be appropriately stretching relative to the outlook at the time and will be up to a maximum of half the normal annual maximum opportunity (50% of salary). The Committee will retain sufficient discretion to override the formulaic outcomes to reflect the performance of the business at the end of H2 2021. Any targets will be disclosed in full in next year's Directors' Remuneration Report.

### LTIP

The Committee intends to make a grant to Executive Directors of face value of up to 50% of base salary in the year (which is significantly lower than the 120% of salary policy maximum). The lower award reflects the current share price and the constraints on dilution headroom and accounting costs. The vesting will be subject to cumulative underlying PBT targets over the three-year performance period. For cumulative underlying PBT of minimum £16.0m, 25% of the award will vest, with 100% of the award vesting for cumulative underlying PBT of £24.0m or higher.

The Committee has determined to select underlying PBT as a single LTIP measure for this year's awards to focus Executives on a measure to drive performance during this period of turnaround. The Committee believes that this is the most relevant measure of long-term performance over this period and that it will be closely aligned to the creation of value for shareholders. In setting the target against this measure, the Committee has taken steps to ensure that these have been calibrated to represent a stretch target at vesting threshold and exceptional stretch at maximum opportunity. In determining the vesting outcome, the Committee will also consider progress made towards reinstating the Company dividend.

## 2. 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 Non-Executive Director Remuneration Policy remains the same as reported in the 2019 Annual Report.

# Remuneration Committee Report continued

## 3. 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 | Other benefits £'000 | Total £'000 |
|---|---|---|---|---|
| Patrick Shanley | **2020** | **93** | **–** | **93** |
| | 2019 | 100 | – | 100 |
| George Materna | **2020** | **48** | **–** | **48** |
| | 2019 | 51 | – | 51 |
| Richard Bradford | **2020** | **48** | **–** | **48** |
| | 2019 | 51 | – | 51 |
| David Lawther[1] | **2020** | **51** | **–** | **51** |
| | 2019 | 51 | – | 51 |
| Mark Mamone[2] | **2020** | **–** | **–** | **–** |
| | 2019 | 17 | – | 17 |

1 David Lawther was appointed as Senior Independent Director (SID) from December 2019 with an additional fee of £5,300. This increase was off-set by the 20% voluntary fee reduction taken between April and July 2020 as a result of the COVID-19 pandemic.

2 Resigned 5 December 2018.

### Fees to be provided in 2021 to the Non-Executive Directors

The Board has determined that no increase will be applied to the current Non-Executive fees in 2021.

| Fee component per role | 2020 £'000 | 2019 £'000 | % change |
|---|---|---|---|
| Chairman fee | **100** | 100 | – |
| Non-Executive Director base fee | **46** | 46 | – |
| Senior Independent Director fee | **5** | – | – |
| Committee Chairman fee (Audit and Remuneration Committees) | **5** | 5 | – |
| Committee member fee (Audit and Remuneration Committees) | **–** | – | – |

## 4. Directors' shareholding and share interests

### Shareholding and other interests at 31 July 2020 (Audited information)

Directors' share interests are set out below. 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.

| | Shareholding at 31 July 2020 | | Interests in shares under the LTIP | | SIP awards (matching shares) | |
|---|---|---|---|---|---|---|
| Director | Number of beneficially owned shares[2] | % of salary held[3] | Total interests subject to conditions | Total vested interests unexercised | Total interests subject to conditions | Total interests at 31 July 2020 |
| Kevin Freeguard[1] | – | – | 418,528 | – | – | 418,528 |
| Salar Farzad | – | – | 321,854 | – | – | 321,854 |
| Keith Lewis[4] | – | – | – | – | – | – |
| Patrick Shanley | 15,000 | – | – | – | – | 15,000 |
| George Materna | 7,877,405 | – | – | – | – | 7,877,405 |
| Richard Bradford | – | – | – | – | – | – |
| David Lawther | – | – | – | – | – | – |
| **Total** | **7,892,405** | | **740,382** | **–** | **-** | **8,632,787** |

1 Appointed 1 October 2018.

2 Beneficial interests include shares held directly or indirectly by connected persons. These also include partnership and vested match shares held under the SIP.

3 % of salary held calculated using the share price on 31 July 2020, being 51.0 pence.

4 Keith Lewis resigned on 5 November 2019 and all interests in shares under the LTIP and SIP schemes subject to conditions have therefore lapsed.

There have been no changes between 31 July 2020 and the date that this Report was signed.

## 5. Considerations by the Committee of matters relating to Directors' remuneration in 2020

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. As a result of the COVID-19 Pandemic, the Board have made the decision not to set bonus targets for H1.

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.gattacaplc.com.

| Members of the Committee during 2020 | Independent | Number of meetings held | Meetings attended |
|---|---|---|---|
| Richard Bradford (Chairman) | Yes | 4 | 4 |
| David Lawther | Yes | 4 | 4 |
| Patrick Shanley | Yes | 4 | 3 |

During the year, there were three Committee meetings. The matters covered at each meeting included the 2020 bonus scheme, LTIP scheme, 2020 salary review budget proposal, Remuneration Committee advisers and senior management remuneration plans for 2021.

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 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 secretariat functions.

The Committee received external advice in 2020 from FIT Remuneration Consultants ('FIT'). The total fee paid to FIT in respect of services to the Committee during the year was £8,000.

The Committee also received external advice in 2020 from Willis Towers Watson ('WTW'). The total fee paid to WTW in respect of services to the Committee during the year was £13,000. The fees paid to WTW and FIT were determined based on the scope and nature of the projects undertaken for the Committee.

## 6. Statement of voting

The 2020 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**
3 November 2020

# Financial Statements



# Independent auditors' report

to the members of Gattaca plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Gattaca plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 July 2020 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the 'Annual Report'), which comprise: the Consolidated and Company Statements of Financial Position as at 31 July 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Cash Flow Statements, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

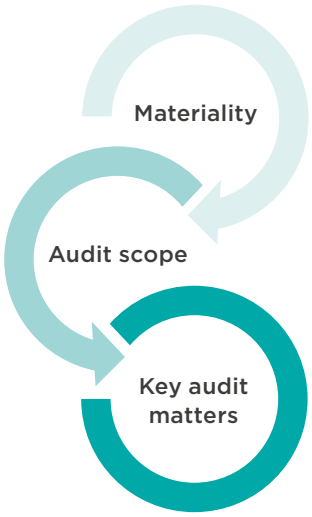
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Overview




- Overall Group materiality: £445,000 (2019: £570,000), based on 5% of the average of the last three years' profit from continuing operations before tax adjusted for non-underlying items
- Overall Company materiality: £1,104,000 (2019: £1,094,000), based on 1% of total assets

- We conducted full scope audit work over 4 operating units which accounted for 90% of the Group's revenue and 76% of the Group's underlying profit before taxation
- We performed procedures at Group level over goodwill, intangible assets, share-based payments, the implementation of IFRS 16, taxation and testing of the consolidation

- Goodwill and acquired intangible asset impairment assessments (Group)
- Non-underlying costs and discontinued operations (Group)
- Recoverability of trade receivables and accrued income (Group)
- Risk of fraud in revenue recognition – permanent and contractors (Group)
- Impact of COVID-19 (Group and Company)

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Goodwill and acquired intangible asset impairment assessments (Group)** | |
| Refer to page 71 (Audit Committee Report), Note 1.10 (The Group and Company Significant Accounting Policies), Note 1.11 (The Group and Company Significant Accounting Policies) and Note 13 (Goodwill and Intangible Assets).<br><br>The business has a material amount of acquired goodwill and intangible assets. There is an increased risk of impairment where the post-acquisition performance of businesses acquired is behind expectations from the time of the original acquisition.<br><br>Management conduct an annual impairment assessment based on Board approved three-year budget plans to test whether the carrying value of goodwill and acquired intangible assets are supported by the present value of the projected future cash flows of the Cash Generating Units (CGUs) to which they relate.<br><br>Goodwill and indefinite lived intangible assets have a carrying value of £6,643,000 (2019: £7,593,000). An impairment charge of £334,000 (2019: £5,882,000) has been recognised against the UK Technology CGU (2019: International CGU) in the year.<br><br>The Directors considered that reasonably possible changes in forecast recovery trajectory, long-term growth rates or discount rates would not be expected to give rise to a material impairment charge in the future for either of the two CGUs where goodwill and intangibles balances remain. These reasonable possible changes have been disclosed in Note 13. | We assessed management's impairment testing relating to the three CGUs by obtaining and testing the supporting models and assessing the methodology used and key assumptions made, as follows:<br><br>• We tested the mathematical integrity of the underlying discounted cash flow models;<br>• We validated that the term is consistent with the internal budgeting and forecasting process and agreed that it has been approved by the Board;<br>• We challenged the cash flow projections used within the model, by reference to current levels of sales, including the impact of COVID-19 and anticipated recovery and analysis of management's historical forecasting accuracy. We held discussions with financial and non-financial personnel, corroborating explanations to supporting documentation, including third party evidence where possible;<br>• With the assistance of our valuation specialists, we assessed the growth and discount rates used in the impairment calculations, by comparing the Group's assumptions to external data. As a result of our work management revised the discount rate applied such that it fell within the range expected for all CGUs. We concluded that the Group's assumptions were appropriate.<br><br>To assess the impairment charge, we recalculated the charge and confirmed that this had been accounted for appropriately and considered any contrary evidence.<br><br>For the two CGUs not fully impaired, we performed sensitivity analyses around the key assumptions, both individually and in aggregate, in order to ascertain the extent of change in those assumptions required individually or collectively to result in a further material impairment of goodwill or acquired intangible assets. Where there is less headroom the models are inherently more sensitive.<br><br>We reviewed disclosures in the accounts and considered these appropriate based on the results of the assessment and the requirements of accounting standards.<br><br>Through review of the impairment assessment performed by management and the disclosures made, we did not identify any material misstatements. |
| **Non-underlying costs and discontinued operations (Group)** | |
| Refer to page 71 (Audit Committee Report), Note 1.8 (The Group and Company Significant Accounting Policies), Note 4 (Profit/(Loss) From Total Operations) and Note 11 (Discontinued Operations).<br><br>During the year, £3.2m (2019: £7.2m) of adjusting items have been recorded in arriving at management's alternative performance measure 'APM' for operating profit.<br><br>We focused on non-underlying costs because IFRS does not define which items may be excluded from operating (loss)/profit to determine underlying operating profit and it therefore requires judgement around the justification for such exclusion. Such judgement may be susceptible to management bias. Consistency in identifying and disclosing items to be excluded from underlying operating profit is important to maintain comparability of the results year on year.<br><br>We have also focussed on discontinued operations and any judgement required in determining what operations meet the definition of a discontinued operation as per IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations' and that the appropriate revenue and costs are presented as discontinued. Discontinued operations presented in the year relate to the Group's withdrawal from China. | We challenged the overall quantum of adjusting items and the inclusion of certain costs and assessed the appropriateness of their presentation by reference to the Group's accounting policies and FRC guidance in this area.<br><br>We have assessed amounts that have been included as either non-underlying or discontinued operations by performing the following procedures:<br><br>• Agreed the accuracy and classification of amounts disclosed in discontinued operations and/or non-underlying to supporting evidence, on a sample basis;<br>• Compared the non-underlying costs recognised in the current year to those recognised in the prior year and confirmed the costs are consistently treated year-on-year, and are not underlying in nature;<br>• Reviewed the disclosures made in respect of non-underlying costs and discontinued operations;<br>• Agreed that the classification of discontinued operations is in line with the requirements of IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations'.<br><br>We found the accounting, in all material respects, to be in accordance with Group policies and IFRS 5 in respect of Discontinued Operations. |

# Independent auditors' report continued

to the members of Gattaca plc

## Our audit approach continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recoverability of trade receivables and accrued income (Group)** | |
| Refer to page 71 (Audit Committee Report), Note 1.17 (The Group and Company Significant Accounting Policies) and Note 17 (Trade and Other Receivables).<br><br>At 31 July 2020, the Group had trade receivables and accrued income balances of £43,603,000 (2019: £94,541,000) and provisions of £4,256,000 (2019: £2,189,000) included in Note 17.<br><br>The recoverability of trade receivables, accrued income and the level of provisions for expected credit losses are considered to be a key risk due to the pervasive nature of these balances to the financial statements, the judgements required in making these provisions, including the impact of COVID-19, and the importance of cash collection with reference to the working capital management of the business. | In order to test the recoverability of trade receivables and accrued income, we performed the following procedures:<br><br>• We assessed recoverability on a sample basis by reference to cash received subsequent to year-end, agreement to the terms of the contract in place and issue of credit notes post year-end, as necessary;<br>• Where cash has not been received post year-end, we performed alternative procedures by agreeing amounts recorded to supporting timesheets approved by the customer and agreed rate cards;<br>• We also discussed and assessed the reasons the amounts that were not yet paid with Gattaca's local management teams to determine if there were indicators of impairment;<br>• We evaluated the Group's credit control procedures, including the use of non-recourse invoice financing and credit insurance, and assessed and validated the ageing profile of trade receivables;<br>• We considered the appropriateness of judgements regarding the level of expected credit loss for trade receivables and assessed whether the associated provisions were calculated in accordance with the Group's expected credit loss policies and whether there was evidence of management bias in provisioning, obtaining supporting evidence as necessary;<br>• We challenged management as to the recoverability of specific aged, unprovided debtors, corroborating management's explanations with underlying documentation and correspondence with the customer;<br>• We compared provisioning levels applied by firms in the same industry, including the impact of COVID-19, and challenged where the provision fell outside the range observed;<br>• We agreed that management appropriately considered the heightened risk of collectability of debtors held by discontinued operations noting that all material balances are provided for in full;<br>• We agreed that management had appropriately incorporated the actual experience and future anticipated impact of COVID-19 into the estimates made; and<br>• We agreed a sample of accrued income back to approved timesheets, rate cards and post year-end invoices to agree that revenue had been accrued for time that had been worked pre year-end. Where payment has been received to date we also agreed cash receipts.<br><br>We did not encounter any issues through these audit procedures that indicated further material provisioning against accrued income and trade receivables was required. |
| **Risk of fraud in revenue recognition – permanent and contractors (Group)** | |
| Refer to page 71 (Audit Committee Report), Note 1.6 (The Group and Company Significant Accounting Policies), Note 2 (Segmental Information) and Note 3 (Revenue From Contracts With Customers).<br><br>There may be an incentive to manipulate income through the fraudulent posting of journals to revenue during the year to meet financial targets or covenant levels. We considered there to be a risk of fraud with respect to the occurence of revenue.<br><br>There is a degree of judgement involved in revenue recognition, specifically around year-end cut-off and accruing for income, particularly in respect of the time worked by contractors that has not been processed in the Group's financial systems.<br><br>The audit risk includes both of the above aspects. We determined that this specifically impacts the occurrence and pre-year end cut-off assertions. | We performed the following procedures to address the risk that revenue had been recorded fraudulently:<br><br>• We assessed the design and implementation of key controls around all streams of revenue recognised. Testing of key controls was performed for the contractor revenue stream;<br>• For contractor revenue we tested the occurrence of revenue journals posted throughout the year using a combination of data auditing techniques and corroboration of transactions to third party documentation for a sample of invoices;<br>• We tested the permanent revenue stream through agreement to third party documentation and review of contracts;<br>• We tested a sample of credit notes post year end to identify where revenue recognised during the year has been subsequently reversed;<br>• We tested the accrued income associated with work performed by contractors before the year end, by comparing the amounts to timesheets submitted after year end;<br>• We considered the appropriateness and accuracy of any cut-off adjustments processed by considering the start date of permanent placements and the term of a temporary placement with reference to the year-end date, as well as any central adjustments recorded to align weekly country reporting with the Group's year-end date; and<br>• We evaluated whether the Group's revenue recognition accounting policy complies with the requirements of IFRS 15 'Revenue from contracts with customers'. We have agreed that revenue has been recognised in accordance with Gattaca's accounting policy by reviewing the details of the Group's revenue recognition policy, the application of this, and any significant new contracts.<br><br>There were no material issues identified by our testing of revenue recognition during the period. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impact of COVID-19 (Group and Company)** | |
| Refer to page 71 (Audit Committee Report), Note 1.3 (Group and Company Significant Accounting Policies) and disclosures in the Executive Review of the Annual Report.<br><br>At 31 July 2020, and subsequently, the impact of COVID-19 on the UK and Global economy has been significant. As an international recruitment business, the Group is inherently impacted by this. Measures including temporarily closing offices and placing workers on furlough were taken to respond to the short-term impact.<br><br>The Group's forecasts used for going concern and impairment purposes have taken into consideration the uncertainty which is created by COVID-19. In particular, possible downside scenarios and mitigating actions have been modelled in order to identify the potential going concern risk based on forecast cash flows.<br><br>Management has concluded that the Group and Company remains a going concern and that there is no material uncertainty in respect of this conclusion. | We have performed the following procedures in order to assess the Group's and Company's response to the uncertainty created by COVID-19 specifically in relation to going concern:<br><br>• We evaluated the appropriateness of the severe but plausible downside case cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment of any key assumptions underpinning the net cash position forecast throughout the going concern period. We concluded that modelling a profitability and cash flow position that assumed a continuation of trading performance experienced in quarter four the year ending 31 July 2020 was an appropriately severe but plausible scenario;<br>• Reviewed the possible mitigating actions identified by management and assessed whether they were plausible;<br>• Verified the mathematical accuracy of the going concern forecasts and impairment models;<br>• Considered liquidity headroom with the available invoice financing facility on both the base and severe but plausible scenarios.<br><br>Refer to our first Key Audit Matter above for details of how we considered the impact of COVID-19 in our procedures over goodwill and acquired intangible asset impairment.<br><br>Refer to our third Key Audit Matter above for details of how we considered the impact of COVID-19 in our audit procedures over the recoverability of trade receivables and accrued income.<br><br>We have performed the following procedures where COVID-19 has had an impact on other areas of the financial statements:<br><br>• Assessed the process for placing employees and contractors on furlough, audited a sample of the amounts received from the UK Government support programmes, agreed a sample of the employees to the returns and reviewed that the accounting treatment and disclosures are in line with IAS 20;<br>• Considered the appropriateness of management's disclosure of the impact of the pandemic on the trading environment and future plans.<br><br>We assessed that the conclusions reached and disclosures provided in relation to COVID-19 are appropriate. |

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has 44 operating units which fall into three reporting segments, namely UK Engineering, UK Technology and International.

Of the Group's 44 operating units, we performed audits of complete financial information at 4 operating units in the UK due to their financial significance to the Group representing 90% of the Group's revenue and 76% of the Group's underlying profit before taxation.

In addition, we performed analytical procedures on the remaining 40 operating units to understand key balances and transactions in the year and performed additional procedures on any unusual balances identified.

All testing was performed by the Group engagement team with no component teams utilised.

The combination of the work referred to above, together with additional procedures performed at Group level including goodwill, intangible assets, share-based payments, the implementation of IFRS 16, taxation and testing of the consolidation and adjustments made to the financial statements gave us the evidence we needed for our opinion on the financial statements as a whole.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

# Independent auditors' report continued

to the members of Gattaca plc

## Our audit approach continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Company financial statements |
|---|---|---|
| **Overall materiality** | £445,000 (2019: £570,000). | £1,104,000 (2019: £1,094,000). |
| **How we determined it** | 5% of the average of the last three years' profit from continuing operations before tax adjusted for non-underlying items. | 1% of total assets. |
| **Rationale for benchmark applied** | Profit from continuing operations before tax adjusted for non-underlying items is disclosed on page 92. We believe that profit from continuing operations before tax adjusted for non-underlying items is the primary measure used by shareholders and other users of the financial statements in assessing the performance of the Group, and that by excluding items such as goodwill impairment charges and non-underlying costs, to the extent that they are significant, it provides a clearer view on the performance of the underlying business. However, this measure has been distorted in the current year as a result of COVID-19, therefore a three year average of this measure is a more appropriate reflection of the size of the business. | We believe that total assets are an appropriate metric for assessing the Company as it holds the investment instruments of the Group and intercompany positions with subsidiaries. We applied a lower materiality of £422,750 to certain line items, account balances and disclosures that were in scope for the audit of the Group Financial Statements. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £350,000 and £422,750.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £22,500 (Group audit) (2019: £28,000) and £22,500 (Company audit) (2019: £28,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

## Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

**Julian Gray (Senior Statutory Auditor)**

**for and on behalf of PricewaterhouseCoopers LLP**

**Chartered Accountants and Statutory Auditors** Southampton

3 November 2020

# Consolidated Income Statement

For the year ended 31 July 2020

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

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

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

## Reconciliation to adjusted profit measure

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

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

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

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 July 2020

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

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

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

# Consolidated and Company Statements of Changes in Equity

For the year ended 31 July 2020

## A) Consolidated

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Share-based payment reserve £'000 | Translation reserve £'000 | Treasury shares reserve £'000 | Retained earnings £'000 | Total |
|---|---|---|---|---|---|---|---|---|
| **At 1 August 2018** | 323 | 8,706 | 28,750 | 1,074 | 299 | – | 7,867 | 47,019 |
| Loss for the year | – | – | – | – | – | – | (5,901) | (5,901) |
| Other comprehensive income | – | – | – | – | 645 | – | – | 645 |
| Total comprehensive income/(loss) | – | – | – | – | 645 | – | (5,901) | (5,256) |
| Deferred tax movement in respect of share options | – | – | – | – | – | – | 15 | 15 |
| Share-based payments charge (Note 23) | – | – | – | 269 | – | – | – | 269 |
| Share-based payments reserves transfer | – | – | – | (590) | – | – | 590 | – |
| Purchase of treasury shares | – | – | – | – | – | (140) | – | (140) |
| Transactions with owners | – | – | – | (321) | – | (140) | 605 | 144 |
| **At 31 July 2019** | 323 | 8,706 | 28,750 | 753 | 944 | (140) | 2,571 | 41,907 |
| **At 1 August 2019 as per originally presented** | 323 | 8,706 | 28,750 | 753 | 944 | (140) | 2,571 | 41,907 |
| Adjustment on initial application of IFRS 16, net of tax | – | – | – | – | – | – | 770 | 770 |
| **Restated total equity at 1 August 2019** | 323 | 8,706 | 28,750 | 753 | 944 | (140) | 3,341 | 42,677 |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(1,781)** | **(1,781)** |
| Other comprehensive loss | **–** | **–** | **–** | **–** | **(1,091)** | **–** | **–** | **(1,091)** |
| Total comprehensive loss | **–** | **–** | **–** | **–** | **(1,091)** | **–** | **(1,781)** | **(2,872)** |
| Deferred tax movement in respect of share options | **–** | **–** | **–** | **–** | **–** | **–** | **(16)** | **(16)** |
| Reversal of share-based payments charge (Note 23) | **–** | **–** | **–** | **(60)** | **–** | **–** | **–** | **(60)** |
| Share-based payments reserves transfer | **–** | **–** | **–** | **(167)** | **–** | **–** | **167** | **–** |
| Issue of treasury shares to employees | **–** | **–** | **–** | **–** | **–** | **43** | **–** | **43** |
| Transactions with owners | **–** | **–** | **–** | **(227)** | **–** | **43** | **151** | **(33)** |
| **At 31 July 2020** | **323** | **8,706** | **28,750** | **526** | **(147)** | **(97)** | **1,711** | **39,772** |

## B) Company

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

# Consolidated and Company Statements of Financial Position

As at 31 July 2020

| | Note | Group 2020 £'000 | Group 2019 £'000 | Company 2020 £'000 | Company 2019 £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Goodwill and intangible assets | 13 | **12,877** | 11,751 | **16** | – |
| Property, plant and equipment | 14 | **1,492** | 3,292 | **–** | – |
| Right-of-use assets | 22 | **7,338** | – | **–** | – |
| Investments | 15 | **19** | – | **8,520** | 8,580 |
| Deferred tax assets | 16 | **–** | – | **–** | – |
| **Total non-current assets** | | **21,726** | 15,043 | **8,536** | 8,580 |
| **Current assets** | | | | | |
| Trade and other receivables | 17 | **48,888** | 96,728 | **101,885** | 101,158 |
| Cash and cash equivalents | | **34,796** | 19,173 | **–** | – |
| **Total current assets** | | **83,684** | 115,901 | **101,885** | 101,158 |
| **Total assets** | | **105,410** | 130,944 | **110,421** | 109,738 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 16 | **(277)** | (396) | **–** | – |
| Provisions | 18 | **(2,558)** | (2,349) | **–** | – |
| Lease liabilities | 22 | **(5,746)** | – | **–** | – |
| Bank loans and borrowings | 20 | **(7,304)** | (14,957) | **(7,304)** | (14,957) |
| **Total non-current liabilities** | | **(15,885)** | (17,702) | **(7,304)** | (14,957) |
| **Current liabilities** | | | | | |
| Trade and other payables | 19 | **(46,129)** | (40,676) | **(63,590)** | (54,083) |
| Provisions | 18 | **(236)** | (332) | **–** | – |
| Current tax liabilities | | **(1,247)** | (1,289) | **–** | – |
| Lease liabilities | 22 | **(1,990)** | – | **–** | – |
| Bank loans and borrowings | 20 | **(151)** | (29,038) | **–** | – |
| **Total current liabilities** | | **(49,753)** | (71,335) | **(63,590)** | (54,083) |
| **Total liabilities** | | **(65,638)** | (89,037) | **(70,894)** | (69,040) |
| **Net assets** | | **39,772** | 41,907 | **39,527** | 40,698 |
| **Equity** | | | | | |
| Share capital | 23 | **323** | 323 | **323** | 323 |
| Share premium | | **8,706** | 8,706 | **8,706** | 8,706 |
| Merger reserve | | **28,750** | 28,750 | **28,526** | 28,526 |
| Share-based payment reserve | | **526** | 753 | **526** | 753 |
| Translation reserve | | **(147)** | 944 | **–** | – |
| Treasury shares reserve | | **(97)** | (140) | **–** | – |
| Retained earnings | | **1,711** | 2,571 | **1,446** | 2,390 |
| **Total equity** | | **39,772** | 41,907 | **39,527** | 40,698 |

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

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

**Salar Farzad**
**Chief Financial Officer**

# Consolidated and Company Cash Flow Statements

For the year ended 31 July 2020

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| **Cash flows from operating activities** | | | | |
| Loss after taxation | **(1,781)** | (5,901) | **(1,111)** | (231) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment and amortisation of goodwill and intangible assets | **1,831** | 2,483 | **4** | – |
| Depreciation of leased right-of-use assets | **2,041** | – | **–** | – |
| Profits from sale of subsidiary, associate or investment | **(304)** | (135) | **–** | – |
| Loss on disposal of property, plant and equipment | **52** | 67 | **–** | – |
| Impairment of goodwill and acquired intangibles and right-of-use assets | **766** | 5,882 | **–** | – |
| Interest income | **(91)** | (437) | **–** | – |
| Interest costs | **1,936** | 2,096 | **593** | 637 |
| Taxation expense recognised in Income Statement | **598** | 1,417 | **(339)** | (281) |
| Decrease/(increase) in trade and other receivables | **47,537** | 17,225 | **–** | (5,950) |
| Increase/(decrease) in trade and other payables | **5,453** | (174) | **9,120** | 6,436 |
| Increase in provisions | **1,085** | 1,291 | **–** | – |
| Share-based payment charge | **77** | 269 | **–** | – |
| Investment income | **–** | – | **–** | (968) |
| Cash generated from/(used in) operations | **59,200** | 24,083 | **8,267** | (357) |
| Interest paid | **(1,052)** | (1,993) | **(524)** | (611) |
| Interest on lease liabilities | **(214)** | – | **–** | – |
| Interest received | **91** | 86 | **–** | – |
| Income taxes paid | **(387)** | (2,523) | **–** | – |
| **Cash generated from/(used in) operating activities** | **57,638** | 19,653 | **7,743** | (968) |
| **Cash flows from investing activities** | | | | |
| Purchase of plant and equipment | **(191)** | (673) | **–** | – |
| Purchase of intangible assets | **(2,348)** | (2,876) | **(20)** | – |
| Purchase of investments | **(19)** | – | **–** | – |
| Proceeds from sale of subsidiary, associate or investment | **304** | 2 | **–** | – |
| Proceeds from sale of property, plant and equipment | **–** | 26 | **–** | – |
| Dividend received | **–** | – | **–** | 968 |
| **Cash (used in)/generated from investing activities** | **(2,254)** | (3,521) | **(20)** | 968 |
| **Cash flows from financing activities** | | | | |
| Lease liability principal repayment | **(1,987)** | – | **–** | – |
| Purchase of treasury shares | **(67)** | (140) | **–** | – |
| Working capital facility repaid | **(28,968)** | (6,740) | **–** | – |
| Finance costs paid | **(223)** | – | **(223)** | – |
| Repayment of term loan | **(7,500)** | – | **(7,500)** | – |
| **Cash used in financing activities** | **(38,745)** | (6,880) | **(7,723)** | – |
| Effects of exchange rates on cash and cash equivalents | **(1,016)** | 163 | **–** | – |
| **Increase in cash and cash equivalents** | **15,623** | 9,415 | **–** | – |
| Cash and cash equivalents at the beginning of year | **19,173** | 9,758 | **–** | – |
| **Cash and cash equivalents at end of year[1]** | **34,796** | 19,173 | **–** | – |

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

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

# Notes Forming Part of the Financial Statements

## 1 The Group and Company Significant Accounting Policies

### 1.1 The Business of the Group

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

### 1.2 Basis of preparation of the Financial Statements

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

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

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

### 1.3 Going concern

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

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

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

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

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

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

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

### 1.4 New standards and interpretations

The following are new standards or improvements to existing standards that are mandatory for the first time in the Group's accounting period beginning on 1 August 2019 and no new standards have been early adopted. The Group's July 2020 consolidated financial statements have adopted these amendments to IFRS. Apart from IFRS 16 Leases, none of these have had any material impact on the Group's results or financial position:

- IFRS 9 (amendments) Financial Instruments (effective 1 January 2019)
- IFRS 16 Leases (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Annual Improvements to IFRSs 2017 (effective 1 January 2019)
- IFRS 16 (amendments) COVID-19 related rent concessions (effective 1 June 2020)

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

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

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

#### New standards in issue, not yet adopted

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but which are only effective for the Group accounting periods beginning on or after 1 August 2020. These new pronouncements are listed as follows:

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

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

# Notes Forming Part of the Financial Statements continued

## 1 The Group and Company Significant Accounting Policies continued

### 1.4 New standards and interpretations continued

**Forthcoming requirements**

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

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

### 1.5 Basis of consolidation

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

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

Acquisition-related costs are expensed as incurred.

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

### 1.6 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT and trade discounts.

**Temporary placements**

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

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

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

**Permanent placements**

Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment which is the point at which the performance obligation of the contract is considered met. Some permanent placements are subject to a 'claw-back' period whereby if a candidate leaves within a set period of starting employment, the customer is entitled to a rebate subject to the Group's terms and conditions. Provisions as a reduction to revenue are recognised for such arrangements if material. In addition, a number of contractual rebate arrangements are in place in respect of volume and value of sales; these are accounted for as variable consideration reducing revenue and estimated in line with IFRS 15.

**Other**

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

### 1.7 Government grants

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

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

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

### 1.8 Non-underlying items

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

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

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

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

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

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

# Notes Forming Part of the Financial Statements continued

## 1 The Group and Company Significant Accounting Policies continued

### 1.9 Property, plant and equipment

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

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

| | | |
|---|---|---|
| Motor vehicles | 25.0% | Reducing balance |
| Fixtures, fittings and equipment | 12.5% to 33.3% | Straight line |
| Leasehold improvements | Over the period of the lease term | Straight line |

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

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

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

### 1.10 Goodwill

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

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

### 1.11 Intangible assets

**Customer relationships**

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

**Trade names and trademarks**

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

**Software and software licences**

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

**Internally generated intangible assets**

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

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

**Other**

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

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

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

### 1.12 Disposal of assets

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

### 1.13 Leases

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

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

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts may contain both lease and non-lease components, and consideration is allocated in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

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

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

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

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

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

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

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

# Notes Forming Part of the Financial Statements continued

## 1 The Group and Company Significant Accounting Policies continued

### 1.13 Leases continued

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

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

Advantage has been taken of the practical expedients for exemptions provided for leases with less than 12 months to run, for leases of low value, to account for leases with similar characteristics as a portfolio with a single discount rate and to present existing onerous lease provisions against the carrying value of right-of-use assets. Payments associated with short-term leases and leases of low value are recognised on a straight-line basis as an expense in profit or loss.

### 1.14 Taxation

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

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

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

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

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

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

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

### 1.15 Pension costs

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

### 1.16 Share-based payments

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

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

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

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

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

### 1.17 Financial instruments

**Financial assets**

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

**Financial assets: debt instruments**

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

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

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

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

# Notes Forming Part of the Financial Statements continued

## 1 The Group and Company Significant Accounting Policies continued

### 1.17 Financial instruments continued

**Financial assets: equity instruments**

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

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

**Impairment of financial assets**

IFRS 9 require the application of the 'Expected Credit Loss' model ('ECL'). This applies to all financial assets measured at amortised cost or FVOCI, except equity investments.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI.

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

- Trade receivables: the Group has chosen to take advantage of the practical expedient in IFRS 9 when assessing default rates over its portfolio of trade receivables, to estimate the ECL based on historical default rates specific to groups of customers by industry and geography that carry similar credit risks. Separate ECL's have been modelled for UK customers in different industries, and customers in the Americas, Europe, Asia and Africa.
- Accrued income is in respect of temporary placements where a client-approved timesheet has been received or permanent placements where a candidate has commenced employment, but no invoice has been raised. Default rates have been determined by reference to historical data.
- Cash and cash equivalents are held with established financial institutions. The Group has determined that based on the external credit ratings of counterparties, this financial asset has a very low credit risk and that the estimated expected credit loss provision is not material.

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

**Financial liabilities**

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

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

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

### 1.18 Cash and cash equivalents

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

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

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

### 1.19 Provisions

Provisions are recognised where the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

### 1.20 Dividends

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

### 1.21 Foreign currencies

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

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

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

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

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

### 1.22 Equity

Equity comprises the following:

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

# Notes Forming Part of the Financial Statements continued

## 1 The Group and Company Significant Accounting Policies continued

### 1.23 Critical accounting judgements and key sources of estimation uncertainty

**Critical accounting judgements**

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

**Key sources of estimation uncertainty**

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

ECL provisions in respect of trade receivables

The Group's policy for default risk over receivables is based on the on-going evaluation of the credit risk of its trade receivables. Estimation is used in assessing the ultimate realisation of these receivables, including reviewing the potential likelihood of default, the past collection history of each customer, any insurance coverage in place and the current economic conditions. As a result, expected credit loss provisions for impairment of trade receivables have been recognised, as discussed in Note 18. The impact of COVID-19 has been incorporated into these estimates.

Valuation of goodwill and intangible assets

Goodwill and intangible assets (including acquired intangibles) are tested for impairment on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. This requires an estimate to be made of the recoverable amount of the cash-generating unit to which the assets are allocated, including forecasting future cash flows of each cash-generating unit and forming assumptions over the discount rate and long-term growth rate applied. The impact of COVID-19 has been reflected in the forecast future cashflows. Further details on the sensitivity of the carrying value of goodwill and intangible assets to changes in the key assumptions are set out in Note 13.

## 2 Segmental Information

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

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

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

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

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

## Geographical information

| | Total Group revenue | | Non-current assets | |
|---|---|---|---|---|
| All amounts in £'000 | 2020 | 2019 | 2020 | 2019 |
| UK | **515,869** | 613,055 | **21,051** | 14,844 |
| Rest of Europe | **3,469** | 4,313 | **1** | 1 |
| Middle East and Africa | **1,786** | 5,658 | **286** | 13 |
| Americas | **17,534** | 21,966 | **388** | 172 |
| Asia Pacific | **332** | 2,193 | **–** | 13 |
| **Total** | **538,990** | 647,185 | **21,726** | 15,043 |

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

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

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

# Notes Forming Part of the Financial Statements continued

## 3 Revenue From Contracts With Customers

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

### Major service lines – continuing underlying operations

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

### Timing of revenue recognition – continuing underlying operations

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

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

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

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

Accrued income relates to the Group's right to consideration for temporary and permanent placements made but not billed by the year end. These transfer to trade receivables once billing occurs. All accrued income at a given reporting date is billed within the following financial year and is classified in current assets. Deferred income at a given reporting date is recognised as revenue in the following financial year once performance obligations are satisfied and is classified in current liabilities.

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

## 4 Profit/(Loss) From Total Operations

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

The aggregate auditors' remuneration was as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Fees payable for the audit of the Parent Company financial statements | **10** | 10 |
| Fees payable for the audit of the subsidiary company financial statements | **294** | 247 |
| Total auditors' remuneration | **304** | 257 |
| Non-audit services: | | |
| – Taxation | **–** | – |
| – Other services pursuant to legislation | **–** | – |
| Total non-audit services | **–** | – |

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

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

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

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

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

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

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

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

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

# Notes Forming Part of the Financial Statements continued

## 5 Particulars of Employees

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

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

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

The aggregate payroll costs of the above were:

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

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

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

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

## 6 Finance Income

| Continuing operations | 2020 £'000 | Restated[1] 2019 £'000 |
|---|---|---|
| Interest income | **91** | 63 |
| Net gains on foreign currency translation | **–** | 301 |
| **Total** | **91** | 364 |

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

## 7 Finance Costs

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

## 8 Government Grants

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

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

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

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

## 9 Parent Company Loss

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| The amount of loss generated by the Parent Company was: | **(1,111)** | (231) |

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

# Notes Forming Part of the Financial Statements continued

## 10 Taxation

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

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

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

| | Continuing 2020 £'000 | Discontinued 2020 £'000 | Continuing Restated[1] 2019 £'000 | Discontinued Restated[1] 2019 £'000 |
|---|---|---|---|---|
| Profit/(loss) before tax | **1,437** | **(2,620)** | 3,368 | (7,852) |
| Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%) | **273** | **(498)** | 640 | (1,492) |
| Expenses not deductible for tax purposes and goodwill impairment loss | **21** | **11** | 1,140 | 43 |
| Effect of share-based payments | **70** | **–** | 107 | – |
| Irrecoverable withholding tax | **42** | **–** | 109 | 727 |
| Overseas losses not recognised as deferred tax assets | **610** | **290** | (304) | 538 |
| Difference between UK and overseas tax rates | **(143)** | **(71)** | 117 | 116 |
| Adjustment to tax charge in respect of previous years | **(7)** | **–** | (324) | – |
| **Total taxation charge /(credit) for the year** | **866** | **(268)** | 1,485 | (68) |

Tax charge/(credit) recognised in equity:

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

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

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

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

### Future tax rate changes

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

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

## 11 Discontinued Operations

### 2020

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

### 2019

On 4 September 2018 the Group announced that it was withdrawing from the contract Telecoms Infrastructure markets in Africa, Asia and Latin America as well as its operations in the United Arab Emirates, Singapore, Malaysia and Qatar. As a result, all operations associated with that business stream have been classified as discontinued in the 2019 and 2020 financial years. As part of this withdrawal, on 25 June 2019 NWKI Communications LLC was sold for cash consideration of £2,000. The entity had net liabilities on disposal of £48,000 resulting in a gain of £46,000.

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

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

# Notes Forming Part of the Financial Statements continued

## 11 Discontinued Operations continued

### Financial performance and cash flow information

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

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

## 12 Earnings Per Share

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Notes Forming Part of the Financial Statements continued

## 13 Goodwill and Intangible Assets

| Group | | Goodwill £'000 | Customer relationships £'000 | Trade names £'000 | Other £'000 | Software and software licences £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | At 1 August 2018 | 28,739 | 22,245 | 5,326 | 3,809 | 3,369 | 63,488 |
| | Additions | – | – | 20 | – | 2,856 | 2,876 |
| | At 31 July 2019 | 28,739 | 22,245 | 5,346 | 3,809 | 6,225 | 66,364 |
| | **Additions** | **–** | **–** | **–** | **–** | **2,348** | **2,348** |
| | **At 31 July 2020** | **28,739** | **22,245** | **5,346** | **3,809** | **8,573** | **68,712** |
| **Amortisation and impairment** | At 1 August 2018 | 21,779 | 16,698 | 4,040 | 2,883 | 1,739 | 47,139 |
| | Amortisation for the year | – | 758 | 167 | 339 | 328 | 1,592 |
| | Impairment | 2,603 | 2,468 | 744 | 67 | – | 5,882 |
| | At 31 July 2019 | 24,382 | 19,924 | 4,951 | 3,289 | 2,067 | 54,613 |
| | **Amortisation for the year** | **–** | **325** | **53** | **238** | **272** | **888** |
| | **Impairment** | **–** | **281** | **53** | **–** | **–** | **334** |
| | **At 31 July 2020** | **24,382** | **20,530** | **5,057** | **3,527** | **2,339** | **55,835** |
| **Net book value** | At 31 July 2019 | 4,357 | 2,321 | 395 | 520 | 4,158 | 11,751 |
| | **At 31 July 2020** | **4,357** | **1,715** | **289** | **282** | **6,234** | **12,877** |

Other intangibles comprises candidate databases and non-compete agreements.

The carrying amount of goodwill allocated to Cash Generating Units (CGUs) is as follows:

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

### Impairment testing

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

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

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

### Cash flows from operations

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

### Discount rates

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

### Growth rates

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

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

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

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

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

| Company | | Trade names £'000 |
|---|---|---|
| **Cost** | At 1 August 2018 | – |
| | Additions | – |
| | **At 31 July 2019** | – |
| | Additions | 20 |
| | **At 31 July 2020** | **20** |
| **Amortisation and impairment** | At 1 August 2018 | – |
| | Amortisation for the year | – |
| | Impairment | – |
| | **At 31 July 2019** | – |
| | Amortisation for the year | 4 |
| | Impairment | – |
| | **At 31 July 2020** | **4** |
| **Net book value** | At 31 July 2019 | – |
| | **At 31 July 2020** | **16** |

# Notes Forming Part of the Financial Statements continued

## 14 Property, Plant and Equipment

| Group | | Motor vehicles £'000 | Leasehold improvements £'000 | Fixtures, fittings & equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | At 1 August 2018 | 52 | 4,316 | 4,555 | 8,923 |
| | Additions | 6 | 414 | 253 | 673 |
| | Disposals | (37) | – | (159) | (196) |
| | Effects of movements in exchange rates | – | – | (17) | (17) |
| | At 31 July 2019 | 21 | 4,730 | 4,632 | 9,383 |
| | Reclassification of dilapidation assets | – | (1,535) | – | (1,535) |
| | Additions | – | 101 | 90 | 191 |
| | Disposals | (37) | (204) | (1) | (242) |
| | Effects of movements in exchange rates | – | (37) | – | (37) |
| | **At 31 July 2020** | **(16)** | **3,055** | **4,721** | **7,760** |
| **Accumulated depreciation** | At 1 August 2018 | 44 | 1,383 | 3,876 | 5,303 |
| | Charge for the year | 3 | 514 | 374 | 891 |
| | Released on disposal | (30) | – | (73) | (103) |
| | At 31 July 2019 | 17 | 1,897 | 4,177 | 6,091 |
| | Reclassification of dilapidation assets | – | (576) | – | (576) |
| | Charge for the year | 5 | 564 | 374 | 943 |
| | Released on disposal | (38) | (18) | (134) | (190) |
| | **At 31 July 2020** | **(16)** | **1,867** | **4,417** | **6,268** |
| **Net book value** | At 31 July 2019 | 4 | 2,833 | 455 | 3,292 |
| | **At 31 July 2020** | **–** | **1,188** | **304** | **1,492** |

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

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

## 15 Investments in Subsidiary Undertakings

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

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

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

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

## The subsidiary undertakings at the year end are as follows:

| | Registered Office Note | Country of Incorporation | Share Class | % held 2020 | % held 2019 | Main Activities |
|---|---|---|---|---|---|---|
| Alderwood Education Ltd[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Application Services Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Barclay Meade Ltd[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Cappo Group Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Holding |
| Cappo International Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Comms Software Limited[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| CommsResources Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Connectus Technology Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Elite Computer Staff Ltd.[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Gattaca Recruitment Limited[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Gattaca Solutions Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Matchtech Engineering Limited[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Matchtech Group (Holdings) Limited[1] | 1 | United Kingdom | Ordinary | 99.7% | 99.7% | Holding |
| Matchtech Group (UK) Limited[1] | 1 | United Kingdom | Ordinary | 99.998% | 99.998% | Provision of recruitment consultancy |
| Matchtech Group Management Company Limited[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Matchtech Limited[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| MSB Consulting Services Limited[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Networkers International (UK) Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Networkers International Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Holding |
| Networkers International Trustees Limited[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Networkers Recruitment Services Limited[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Provanis Limited[2] | 1 | United Kingdom | Ordinary | 100% | 100% | Non trading |
| Resourcing Solutions Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| The Comms Group Limited[1] | 1 | United Kingdom | Ordinary | 100% | 100% | Holding |
| Gattaca GmbH | 2 | Germany | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| MSB International GMBH | 13 | Germany | Ordinary | 100% | 100% | Non trading |
| Gattaca BV | 3 | Netherlands | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Cappo Inc. | 5 | United States | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Matchtech Engineering Inc. | 4 | United States | Ordinary | 100% | 100% | Non trading |
| Networkers Inc. | 5 | United States | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Networkers International LLC | 5 | United States | Ordinary | 100% | 100% | Non trading |
| Networkers International (Canada) Inc. | 11 | Canada | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Gattaca Mexico Services, S.A. de C.V[4] | 6 | Mexico | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| NWI Mexico, S. de R.L. de C.V. | 6 | Mexico | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Kithara Investments Proprietary Limited | 8 | South Africa | Ordinary | 100% | 100% | Holding |
| Kula Nathi Investments Proprietary Limited | 7 | South Africa | Ordinary | 100% | 100% | Holding |
| Networkers International Proprietary Limited | 7 | South Africa | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Networkers International South Africa Proprietary Limited | 7 | South Africa | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Networkers International (China) Co. Limited | 9 | China | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Comms Resource SDN. BHD | 10 | Malaysia | Ordinary | 100% | 100% | Non trading |
| Networkers International (Malaysia) Sdn Bhd | 10 | Malaysia | Ordinary | 100% | 100% | Non trading |
| NWKI Consultancy FZ LLC | 12 | United Arab Emirates | Ordinary | 100% | 100% | Non trading |
| Cappo Qatar LLC[3] | 15 | Qatar | Ordinary | 49% | 49% | Non trading |
| Networkers Consultancy (Singapore) PTE. Limited | 14 | Singapore | Ordinary | 100% | 100% | Non trading |
| Gattaca Information Technology Services SLU | 16 | Spain | Ordinary | 100% | 100% | Provision of recruitment consultancy |
| Gattaca Recruitment ETT, SLU | 16 | Spain | Ordinary | 100% | 100% | Non trading |
| Networkers International (India) PTE | 17 | India | Ordinary | 100% | 100% | Non trading |

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

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

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

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

# Notes Forming Part of the Financial Statements continued

## 15 Investments in Subsidiary Undertakings continued

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

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

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

| Registered office addresses | |
|---|---|
| 1 | 1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AF, United Kingdom |
| 2 | c/o Grant Thornton, Jahnstrasse 6, 70597, Stuttgart, Germany |
| 3 | Herengracht 124–128, 1015 BT Amsterdam, Netherlands |
| 4 | 33 SW Flager Avenue, Stuart, Florida, USA |
| 5 | 6400 International Parkway, Suite 1510, Plano TX 75093, USA |
| 6 | Avenida Paseo de la Reforma No. 296 Piso 15 Oficina A, Colonia Juárez, Delegación Cuauhtémoc, Código Postal 06600. Ciudad de México, Mexico |
| 7 | 201 Heritage House, 20 Dreyer Street, Claremont, 7735, South Africa |
| 8 | 6th Floor, 119 Hertzog Boulevard, Foreshre, Cape Town, 8001, South Africa |
| 9 | B-2701, Di San Zhi Ye Building, No. A1 Shuguang Xili, Chao Yang District, Beijing, China |
| 10 | Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia |
| 11 | 1 Richmond Street West, Suite 902, Toronto, Ontario, M5H 3W4, Canada |
| 12 | Office 3022, Shatha Tower, Dubai Media City, Dubai, United Arab Emirates |
| 13 | Franlinstr. 48, 60456, Frankfurt, Germany |
| 14 | 371 Beach Road, #15-09 Keypoint, Singapore 199597 |
| 15 | Suite #204, Office #40 Al Rawabi Street, Muntazah, Doha, State of Qatar. PO Box 8306 |
| 16 | Calle General, Moscardo 6. Espaco Office, Madrid 28020, Spain |
| 17 | 3rd Floor, 301 DLF City Court Sikandarpur, Gurgaon-122002 Harayana, India |

## 16 Deferred Tax

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

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

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

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

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

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

### Unrecognised deferred tax assets

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

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

# Notes Forming Part of the Financial Statements continued

## 17 Trade and Other Receivables

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

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

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

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

### Impairment of trade receivables from contracts with customers

| | Group | |
|---|---|---|
| | 2020 £'000 | 2019 £'000 |
| Trade receivables from contracts with customers, gross amounts | **31,690** | 73,893 |
| Loss allowance | **(3,987)** | (2,189) |
| **Trade receivables from contracts with customers, net of loss allowance** | **27,703** | 71,704 |

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally settled within 30–60 days and are therefore all classified as current. Trade receivables have reduced year on year due to the impact of COVID-19 on trading, as well as the impact of de-recognition of any trade receivables held under the Group's non-recourse invoice financing arrangements entered into in 2020.

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

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

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

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

The loss allowance for trade receivables was determined as follows:

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

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

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

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

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

# Notes Forming Part of the Financial Statements continued

## 18 Provisions

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

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

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

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

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

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

## 19 Trade and Other Payables

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

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

## 20 Loans and Borrowings

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

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

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

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

# Notes Forming Part of the Financial Statements continued

## 21 Financial Assets and Liabilities Statement of Financial Position Classification

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

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

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

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

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

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

## 22 Leases

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

### Right-of-use-assets

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

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

### Lease liabilities

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

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

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

### Reconciliation of lease liabilities movement in the year

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

### Amounts in respect of leases recognised in the Income Statement

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

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

| | Properties £'000 | Vehicles £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|
| Operating lease commitments at 31 July 2019 | 11,144 | 351 | 48 | 11,543 |
| Less: Leases considered to be short-term (less than 12 months duration) | (79) | (19) | (37) | (135) |
| Add: Rentals associated with extension options reasonably certain to be exercised | 32 | – | 8 | 40 |
| **Operating lease commitment in scope for IFRS 16** | **11,097** | **332** | **19** | **11,448** |
| Impact of discounting future lease payments | (789) | 3 | (2) | (788) |
| Commitments for leases not yet commenced at 31 July 2019 | – | 12 | – | 12 |
| Rental increases since 1 August 2019 | 48 | – | – | 48 |
| Impact of rent-free periods | (96) | – | – | (96) |
| **Total lease liabilities recognised at 1 August 2019** | **10,260** | **347** | **17** | **10,624** |

# Notes Forming Part of the Financial Statements continued

## 23 Share Capital

### Authorised share capital

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

### Allotted, called up and fully paid:

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

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

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

### Share Options

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

| | 2020 '000s | 2019 '000s | Date of grant | Exercise price pence | Exercise period From | Exercise period To |
|---|---|---|---|---|---|---|
| Zero Priced Share Option Bonus | **–** | 1 | 18/01/2010 | 1 | 18/01/2012 | 18/01/2020 |
| Zero Priced Share Option Bonus | **–** | 1 | 18/01/2010 | 1 | 18/01/2013 | 18/01/2020 |
| Zero Priced Share Option Bonus | **1** | 1 | 04/02/2011 | 1 | 03/02/2013 | 04/02/2021 |
| Zero Priced Share Option Bonus | **1** | 1 | 04/02/2011 | 1 | 03/02/2014 | 04/02/2021 |
| Zero Priced Share Option Bonus | **1** | 1 | 31/01/2012 | 1 | 30/01/2014 | 31/01/2022 |
| Zero Priced Share Option Bonus | **1** | 1 | 31/01/2012 | 1 | 30/01/2015 | 31/01/2022 |
| Zero Priced Share Option Bonus | **1** | 2 | 31/01/2013 | 1 | 30/01/2015 | 31/01/2023 |
| Zero Priced Share Option Bonus | **2** | 2 | 31/01/2013 | 1 | 30/01/2016 | 31/01/2023 |
| Zero Priced Share Option Bonus | **4** | 5 | 01/01/2014 | 1 | 01/01/2016 | 01/01/2024 |
| Zero Priced Share Option Bonus | **32** | 34 | 01/01/2014 | 1 | 01/01/2017 | 01/01/2024 |
| Zero Priced Share Option Bonus | **3** | 3 | 28/01/2015 | 1 | 28/01/2017 | 28/01/2025 |
| Zero Priced Share Option Bonus | **24** | 27 | 28/01/2015 | 1 | 28/01/2018 | 28/01/2025 |
| Zero Priced Share Option Bonus | **–** | 62 | 03/02/2017 | 1 | 03/02/2020 | 03/02/2027 |
| Zero Priced Share Option Bonus | **–** | 107 | 31/01/2017 | 1 | 31/01/2020 | 31/01/2027 |
| Long-Term Incentive Plan Options | **–** | 72 | 31/01/2017 | 72 | 31/01/2020 | 31/01/2027 |
| Long-Term Incentive Plan Options | **–** | 38 | 31/01/2017 | 145 | 31/01/2020 | 31/01/2027 |
| Zero Priced Share Option Bonus | **231** | 324 | 19/12/2018 | 1 | 19/12/2021 | 19/12/2028 |
| Zero Priced Share Option Bonus | **171** | 201 | 19/12/2018 | 1 | 19/12/2021 | 19/12/2028 |
| Long-Term Incentive Plan Options | **510** | – | 20/01/2020 | 1 | 20/01/2023 | 20/01/2030 |
| Long-Term Incentive Plan Options | **194** | – | 20/01/2020 | 1 | 20/01/2023 | 20/01/2030 |
| **Total** | **1,176** | 883 | | | | |

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

The movement in share options is shown below:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Number '000s | Weighted average exercise price (pence) | Weighted average share price (pence) | Number '000s | Weighted average exercise price (pence) | Weighted average share price (pence) |
| Outstanding at 1 August | **883** | **13.1** | **–** | 657 | 48.2 | – |
| Granted | **704** | **1.0** | **–** | 525 | 1.0 | – |
| Forfeited/lapsed | **(406)** | **27.3** | **–** | (270) | 76.8 | – |
| Exercised | **(5)** | **1.0** | **116.7** | (29) | 1.0 | 129.8 |
| **Outstanding at 31 July** | **1,176** | **74.6** | | 883 | 13.1 | |
| **Exercisable at 31 July** | **69** | **1.0** | | 78 | 1.0 | |

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

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

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

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

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

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

# Notes Forming Part of the Financial Statements continued

## 23 Share Capital continued

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

| Date of grant | | Share price on the date of grant (£) | Exercise price (£) | Volatility (%) | Vesting period (years) | Dividend yield (%) | Risk free rate of interest (%) | Fair value (£) |
|---|---|---|---|---|---|---|---|---|
| 09/09/2016 | SIP | 3.87 | 0.01 | N/A | 3.00 | N/A | N/A | 3.87 |
| 07/10/2016 | SIP | 3.57 | 0.01 | N/A | 3.00 | N/A | N/A | 3.57 |
| 08/11/2016 | SIP | 3.16 | 0.01 | N/A | 3.00 | N/A | N/A | 3.16 |
| 07/12/2016 | SIP | 2.95 | 0.01 | N/A | 3.00 | N/A | N/A | 2.95 |
| 16/01/2017 | SIP | 2.98 | 0.01 | N/A | 3.00 | N/A | N/A | 2.98 |
| 31/01/2017 | Zero Priced Share Option Bonus | 2.92 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.27 |
| 31/01/2017 | Zero Priced Share Option Bonus | 2.92 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.51 |
| 31/01/2017 | Zero Priced Share Option Bonus | 2.90 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.23 |
| 31/01/2017 | Zero Priced Share Option Bonus | 2.90 | 0.01 | 31.6% | 3.00 | 7.9% | 0.3% | 1.49 |
| 31/01/2017 | Long-Term Incentive Plan Options | 2.90 | 0.72 | 31.6% | 3.00 | 7.9% | 0.3% | 0.86 |
| 03/02/2017 | Long-Term Incentive Plan Options | 2.90 | 1.45 | 31.6% | 3.00 | 7.9% | 0.3% | 0.66 |
| 07/02/2017 | SIP | 2.94 | 0.01 | N/A | 3.00 | N/A | N/A | 2.94 |
| 07/03/2017 | SIP | 2.94 | 0.01 | N/A | 3.00 | N/A | N/A | 2.94 |
| 07/04/2017 | SIP | 3.10 | 0.01 | N/A | 3.00 | N/A | N/A | 3.10 |
| 09/05/2017 | SIP | 3.18 | 0.01 | N/A | 3.00 | N/A | N/A | 3.18 |
| 07/06/2017 | SIP | 3.28 | 0.01 | N/A | 3.00 | N/A | N/A | 3.28 |
| 07/07/2017 | SIP | 3.09 | 0.01 | N/A | 3.00 | N/A | N/A | 3.09 |
| 07/08/2017 | SIP | 2.87 | 0.01 | N/A | 3.00 | N/A | N/A | 2.87 |
| 08/09/2017 | SIP | 2.99 | 0.01 | N/A | 3.00 | N/A | N/A | 2.99 |
| 09/10/2017 | SIP | 3.10 | 0.01 | N/A | 3.00 | N/A | N/A | 3.10 |
| 08/11/2017 | SIP | 3.12 | 0.01 | N/A | 3.00 | N/A | N/A | 3.12 |
| 08/12/2017 | SIP | 3.05 | 0.01 | N/A | 3.00 | N/A | N/A | 3.05 |
| 09/01/2018 | SIP | 3.00 | 0.01 | N/A | 3.00 | N/A | N/A | 3.00 |
| 08/02/2018 | SIP | 2.63 | 0.01 | N/A | 3.00 | N/A | N/A | 2.63 |
| 08/03/2018 | SIP | 2.31 | 0.01 | N/A | 3.00 | N/A | N/A | 2.31 |
| 12/04/2018 | SIP | 1.84 | 0.01 | N/A | 3.00 | N/A | N/A | 1.84 |
| 09/05/2018 | SIP | 1.40 | 0.01 | N/A | 3.00 | N/A | N/A | 1.40 |
| 08/06/2018 | SIP | 1.58 | 0.01 | N/A | 3.00 | N/A | N/A | 1.58 |
| 09/07/2018 | SIP | 1.25 | 0.01 | N/A | 3.00 | N/A | N/A | 1.25 |
| 08/08/2018 | SIP | 1.50 | 0.01 | N/A | 3.00 | N/A | N/A | 1.50 |
| 10/09/2018 | SIP | 1.40 | 0.01 | N/A | 3.00 | N/A | N/A | 1.40 |
| 08/10/2018 | SIP | 1.30 | 0.01 | N/A | 3.00 | N/A | N/A | 1.30 |
| 08/11/2018 | SIP | 1.41 | 0.01 | N/A | 3.00 | N/A | N/A | 1.41 |
| 10/12/2018 | SIP | 1.14 | 0.01 | N/A | 3.00 | N/A | N/A | 1.14 |
| 19/12/2018 | Zero Priced Share Option Bonus | 1.07 | 0.01 | N/A | 3.00 | 0.0% | N/A | 1.08 |
| 19/12/2018 | Zero Priced Share Option Bonus | 1.07 | 0.01 | 44.9% | 3.00 | 0.0% | 0.7% | 0.73 |
| 09/01/2019 | SIP | 1.13 | 0.01 | N/A | 3.00 | N/A | N/A | 1.13 |
| 08/02/2019 | SIP | 1.17 | 0.01 | N/A | 3.00 | N/A | N/A | 1.17 |
| 11/03/2019 | SIP | 1.18 | 0.01 | N/A | 3.00 | N/A | N/A | 1.18 |

| Date of grant | | Share price on the date of grant (£) | Exercise price (£) | Volatility (%) | Vesting period (years) | Dividend yield (%) | Risk free rate of interest (%) | Fair value (£) |
|---|---|---|---|---|---|---|---|---|
| 08/04/2019 | SIP | 1.39 | 0.01 | N/A | 3.00 | N/A | N/A | 1.39 |
| 09/05/2019 | SIP | 1.58 | 0.01 | N/A | 3.00 | N/A | N/A | 1.58 |
| 10/06/2019 | SIP | 1.53 | 0.01 | N/A | 3.00 | N/A | N/A | 1.53 |
| 08/07/2019 | SIP | 1.43 | 0.01 | N/A | 3.00 | N/A | N/A | 1.43 |
| 07/08/2019 | SIP | 1.44 | 0.01 | N/A | 3.00 | N/A | N/A | 1.44 |
| 09/09/2019 | SIP | 1.28 | 0.01 | N/A | 3.00 | N/A | N/A | 1.28 |
| 08/10/2019 | SIP | 1.32 | 0.01 | N/A | 3.00 | N/A | N/A | 1.32 |
| 08/11/2019 | SIP | 1.18 | 0.01 | N/A | 3.00 | N/A | N/A | 1.18 |
| 09/12/2019 | SIP | 1.10 | 0.01 | N/A | 3.00 | N/A | N/A | 1.10 |
| 10/01/2020 | SIP | 1.29 | 0.01 | N/A | 3.00 | N/A | N/A | 1.29 |
| 10/02/2020 | SIP | 0.82 | 0.01 | N/A | 3.00 | N/A | N/A | 0.82 |
| 09/03/2020 | SIP | 0.76 | 0.01 | N/A | 3.00 | N/A | N/A | 0.76 |
| 09/04/2020 | SIP | 0.39 | 0.01 | N/A | 3.00 | N/A | N/A | 0.39 |
| 11/05/2020 | SIP | 0.44 | 0.01 | N/A | 3.00 | N/A | N/A | 0.44 |
| 08/06/2020 | SIP | 0.45 | 0.01 | N/A | 3.00 | N/A | N/A | 0.45 |
| 10/07/2020 | SIP | 0.45 | 0.01 | N/A | 3.00 | N/A | N/A | 0.45 |
| 20/01/2020 | Long-Term Incentive Plan Options | 1.24 | 0.01 | N/A | 3.00 | N/A | N/A | 1.13 |
| 20/01/2020 | Long-Term Incentive Plan Options | 1.24 | 0.01 | N/A | 3.00 | N/A | N/A | 1.13 |

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

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

## 24 Transactions with Directors and Related Parties

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

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

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

The remuneration of key management is disclosed in Note 5.

# Notes Forming Part of the Financial Statements continued

## 25 Financial Instruments

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

### Maturity of financial liabilities

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

| Group | 0 to <1 years £'000 | 1 to <2 years £'000 | 2 to <5 years £'000 | 5 years and over £'000 | Contractual cash flows £'000 |
|---|---|---|---|---|---|
| **2020** | | | | | |
| Revolving Credit Facility | **5,117** | **88** | **2,515** | **–** | **7,720** |
| Invoice Financing working capital facility | **170** | **–** | **–** | **–** | **170** |
| Lease liabilities[1] | **1,990** | **5,746** | **–** | **–** | **7,736** |
| Trade payables | **25,922** | **–** | **–** | **–** | **25,922** |
| **Total** | **33,199** | **5,834** | **2,515** | **–** | **41,548** |
| **2019** | | | | | |
| Revolving Credit Facility | 531 | 15,129 | – | – | 15,660 |
| Invoice Financing working capital facility | 29,228 | – | – | – | 29,228 |
| Trade payables | 25,639 | – | – | – | 25,639 |
| **Total** | 55,398 | 15,129 | – | – | 70,527 |

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

### Borrowing facilities

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

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

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

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

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

### Liquidity Risk

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

### Foreign Currency Risk

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

Net foreign currency monetary assets are shown below:

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

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

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

# Notes Forming Part of the Financial Statements continued

## 26 Capital Management Policies and Procedures

Gattaca plc's capital management objectives are:

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

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

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

| | Group | |
|---|---|---|
| | 2020 £'000 | 2019 £'000 |
| Total equity | **39,772** | 41,907 |
| Cash and cash equivalents | **(34,796)** | (19,173) |
| Capital | **4,976** | 22,734 |
| Total equity | **39,772** | 41,907 |
| Borrowings | **7,455** | 43,995 |
| Lease liabilities | **7,736** | – |
| Overall financing | **54,963** | 85,902 |
| Capital to overall financing ratio | **9%** | 26% |

## 27 Net Debt and Adjusted Net Debt

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

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

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

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

| 2019 | 1 August 2018 £'000 | Net cash flows £'000 | Non-cash movements £'000 | 31 July 2019 £'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 9,758 | 9,415 | – | 19,173 |
| Interest-bearing term loan | (15,000) | – | – | (15,000) |
| Working capital facilities | (35,859) | 6,740 | – | (29,119) |
| **Total net debt** | (41,101) | 16,155 | – | (24,946) |
| Capitalised finance costs | 227 | – | (103) | 124 |
| **Total net debt after capitalised finance costs** | (40,874) | 16,155 | (103) | (24,822) |
| **Excluding lease liabilities** | – | – | – | – |
| **Adjusted total net (debt)/cash excluding lease liabilities** | (40,874) | 16,155 | (103) | (24,822) |

## 28 Contingent Liabilities

We continue our cooperation with the United States Department of Justice and in 2020 have incurred £1.4m (2019: £3.4m) in advisory fees on this matter. The Group is not currently in a position to know what the outcome of these enquiries may be and therefore we are unable to quantify the likely outcome for the Group.

## 29 Events After The Reporting Date

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

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

GATTACA

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