

MATCHTECH GROUP PLC

7 October 2010

Matchtech Group plc Preliminary Results for the year ended 31 July 2010

Matchtech Group plc (“Matchtech” or the “Group”), one of the UK’s leading specialist technical recruitment companies, today announces its Preliminary Results for the year ended 31 July 2010.

Financial Headlines

- Revenue £264.4m down 2% (2009: £269.6m), with H2 up 11% on H1
- Net Fee Income (NFI) £26.2m, down 14% (2009: £30.3m), with H2 up 10% on H1
- Permanent recruitment fees in Quarter 4 of £1.6m, up 14% on Quarter 4 2009
- Record number of contractors on assignment at year end at 5,100 (July 2009: 4,500)
- Operating profit of £8.8m (2009: £11.7m)
- Profit before tax of £8.6m (2009: £11.3m)
- Basic EPS of 26.4p (2009: 34.37p)

- Final dividend maintained at 10.6p per share, giving an unchanged total dividend of 15.6p per share

- Operational cost savings of £2.1m compared with 2009
- Investment in new growth initiatives of £0.9m, with anticipated £2.0m in 2011
- Low net debt of £4.5m at year end (2009: £1.2m)
- Continuing to generate positive cashflow, with net cashflow from operating activities of £0.8m (2009: £5.9m)

Operational Headlines

- Business restructured to better reflect the sectors we serve and to take advantage of opportunities as the economy recovers
- Core focus remains on UK technical market, servicing four key sectors – Engineering, Science & Medical, Built Environment and Information Systems & Technology
- New Recruitment Process Outsourcing (RPO) brand, elemense, focused on winning new business in the technical sector
- International expansion into Germany progressing; recently moved into new larger premises in Stuttgart
- Launch of two new Professional Services brands: Barclay Meade and Alderwood Education
- Offices opened in London, Aberdeen and St Albans to support growth of new Professional Services brands, with further strategic locations planned
- Executive team strengthened through appointments of Nigel Lynn and Peter Collis as Managing Directors of Professional Services and elemense businesses respectively

Commenting on the results, George Materna, Chairman of Matchtech said:

“The year has been characterised by uncertainty in the UK economy, the General Election and anticipation of the Government’s Comprehensive Spending Review (to be announced on 20 October 2010).

Finding candidates and contractors with the right skills at the right time can sometimes be difficult, and in the UK there are concerns of a talent shortage. Even now employers are actively looking for motivated and skilled candidates to join their workforces and help drive future growth. Momentum is increasing, with improving traction in permanent recruitment, and contractor numbers are at a record level.

We have a healthy balance of business mix, clients and relationships, and although we have exposure to the Public Sector, both directly and indirectly, much is on long-term contracts, and protected, to an extent, by the specialist nature of the vacancies that we have to fill.

The management have used the economic slowdown to strategically review the business. We have restructured the Group to make it more understandable to both clients and investors, we have made some key appointments, and have commenced a number of additional growth initiatives to add to the Matchtech UK organic growth model.

The Group has begun the year well, with trading in the first two months to the end of September in line with our expectations.

Notwithstanding the uncertain economic times, our robust business model, the ambitious plans we have for our sector diversification and the start of our international network all give the Board confidence in the medium term prospects for the Group.”

For further information please contact:

Matchtech Group plc 01489 898989
Adrian Gunn, Chief Executive Officer
Tony Dyer, Chief Financial Officer

MHP Communications 020 7357 9477
John Olsen / Ian Payne / Giles Robinson

Arbuthnot Securities 020 7012 2000
James Steel / Ben Wells

Background on Matchtech Group

Established in 1984, the Group specialises in the provision of contract, temporary and permanent staff and has grown organically to become one of the UK's leading technical, professional and recruitment outsourcing specialists.

The Group is split into four dedicated business units Matchtech, Barclay Meade, Alderwood Education and elemense; providing specialist recruitment solutions to a broad range of clients across the UK and Europe. The Group's Head Office is based in Fareham Hampshire and has strategic office locations in London, St Albans, Aberdeen and Stuttgart.

Chairman's Statement

Trading Performance

Trading was in line with expectations. Group revenue for the year decreased by 2% to £264.4m, Net Fee Income (NFI) for the year decreased by 14% to £26.2m, average weekly contract NFI was up 7% in H2 compared to H1 and average weekly Permanent Fees were up 12% in H2.

The Group generated net cash from operating activities of £0.8m (2009: £5.9m), and had low net debt at the year end of £4.5m (2009: £1.2m).

Dividend

The Board is pleased to announce a proposed final dividend for the year of 10.6 pence per share, which makes a total dividend for the year of 15.6 pence per share (2009: 15.6 pence) covered 1.7 times (2009: 2.2 times) by earnings.

Markets

The impact of the global recession on the UK has contributed to uncertainty in the staffing sector, characterised by the fall in the levels of permanent recruitment, but balanced to some extent by resilience in the flexible contractor workforce side.

The Engineering sector has performed robustly, predominantly due to the longer-term nature of client projects, with a good proportion of our business on framework contracts, providing higher contractor numbers at reduced margins.

Not surprisingly, Built Environment is the sector facing the most challenging conditions. The outlook is especially uncertain ahead of the Government's important statement on the Spending Review on 20 October 2010, with an expectation of significant Public Sector spending cuts.

We continue to support our clients by providing a whole range of specialist staffing requirements and, both in Information Systems & Technology and Professional Services, client sentiment became more positive as the year progressed.

Strategy

Our core Matchtech UK business in the Engineering, Science, Built Environment and Information Systems & Technology sectors remains at the heart of the Group and we will continue to develop and nurture it accordingly.

Whilst continuing to focus on our niche technical specialties, we are extending this into the German market and further developing the elemense Recruitment Process Outsourcing (RPO) business. We are also building our Professional Services business by launching the Barclay Meade and Alderwood Education brands which, unlike the Matchtech UK model, will not be single site operations, but will instead operate out of a small number of strategic regional offices.

Our sector diversification and the first steps towards building an international network reflect our commitment to delivering the long-term success and growth for our business, and the Board is focused on achieving this with acceptable levels of risk.

People

I would like to welcome two significant external appointments, Nigel Lynn and Peter Collis, to the Group Executive Team. Nigel brings specialist Professional Services pedigree and multi-branch knowledge, heading up our Barclay Meade brand. Peter has many years of experience in transformational RPO and is tasked with developing our elemense business in new markets.

These appointments, along with the broadening of responsibilities for Keith Lewis, who has been appointed Managing Director of our core business - Matchtech, have enhanced the Executive Team and will help support Adrian Gunn in his role as Chief Executive.

Adrian, in his statement, pays tribute to the outstanding commitment and dedication of all our employees in what has been a challenging year, and I would wish to add the Board's thanks to those of Adrian's. The Board would also like to thank our loyal and hard-working contractors who have provided our clients with an exemplary service.

Outlook

The year has been characterised by uncertainty in the UK economy, the General Election and anticipation of the Government's Comprehensive Spending Review (to be announced on 20 October 2010).

Finding candidates and contractors with the right skills at the right time can sometimes be difficult, and in the UK there are concerns of a talent shortage. Even now employers are actively looking for motivated and skilled candidates to join their workforces and help drive future growth. Momentum is increasing, with improving traction in permanent recruitment, and contractor numbers are at a record level.

We have a healthy balance of business mix, clients and relationships, and although we have exposure to the Public Sector, both directly and indirectly, much is on long-term contracts, and protected, to an extent, by the specialist nature of the vacancies that we have to fill.

The management have used the economic slowdown to strategically review the business. We have restructured the Group to make it more understandable to both clients and investors, we have made some key appointments, and have commenced a number of additional growth initiatives to add to the Matchtech UK organic growth model.

We combine entrepreneurial flair with strong relationship management skills and have a culture of drive and enthusiasm for delivering results, without compromising on quality. With our talented and committed staff, resilient technical UK base and new growth initiatives, I believe the Group can deliver strong results over the medium term.

George Materna

Chairman

Chief Executive's Review

Performance Overview

I am pleased that the Group has delivered solid results for the year, in what have been difficult market conditions.

Contractors on assignment have increased throughout the year, finishing on record numbers of 5,100. The average contract NFI has increased from £391,000 per week in Quarter 1 to £413,000 per week in Quarter 4 and permanent fees from £117,000 to £127,000 per week.

Strategic Developments

Prior to the current recession, in the ten financial years to July 2008, the business organically grew its NFI at a compound average growth rate of 27% per annum. The downturn in the UK economy has given the management an opportunity to challenge our previous growth strategies. We have restructured the business to better reflect the sectors we serve and to take advantage of opportunities as the economy recovers.

From 1 August 2010 **Matchtech** is a purely technical business servicing four key sectors: Engineering, Science & Medical, Built Environment and Information Systems & Technology. In September 2009 we set up an office in Stuttgart to service the German technical marketplace, initially focusing on the Automotive and Aerospace sectors.

The Group has launched two new brands in Professional Services, both of which commenced trading on 1 August 2010, and seek to significantly accelerate the development of the existing business.

Barclay Meade focuses on Accountancy, HR, Marketing & Communications, Supply Chain & Logistics, Financial Services, Sales, Procurement and Executive Search.

Alderwood Education will develop the existing Work Based Learning and Welfare to Work business, while expanding into further education.

In order to support these two new brands, we have opened three office locations in London, St Albans and Aberdeen, and taken additional floor space adjacent to our Head Office in Fareham, Hampshire.

In July 2009 we launched our RPO business, **elemense**, which allows us to broaden the scope of services we can provide to clients, including internal re-deployment, direct hiring and agency supply chain management.

We have also invested additional resource within our own Business Development, especially up-skilling our Bids and Tenders Team to ensure we maximise our success in large tenders. This has been very successful, allowing the business to improve its exclusivity with key clients as well as helping retain existing business.

Management and Staff

Our staff, the Group's key resource, have continued to deliver results despite the toughest market conditions in the Group's history. I thank them for their continued dedication and commitment through this difficult period, along with their openness and acceptance of the changes we are making.

We have strengthened our Management Team and I am pleased to welcome Nigel Lynn and Peter Collis, Managing Directors of our Professional Services and elemense brands respectively. Nigel and Peter have many years' highly relevant experience and bring new, external dimensions to the Group Executive.

The Group places high emphasis, throughout the organisation, on our core values of Energy, Enthusiasm, Honesty, Integrity, Teamwork and Fun.

We combine entrepreneurial flair with strong relationship management to create a culture of drive and enthusiasm for delivering results, without compromising on quality. We measure our success on financial performance, underpinned by our competency framework, which focuses on the personal development of our staff.

Matchtech

The last twelve months have clearly illustrated that market conditions are slowly improving. In order to capitalise on this, and give further clarity to our broad client base, some structural changes have been implemented within the UK technical business.

Moving forward, Matchtech in the UK will operate under four sectors, **Engineering, Science & Medical, Built Environment and Information Systems & Technology.**

The Engineering sector has two main divisions, one focussing on the Marine, Automotive, Aerospace and Rail industries (MAAR) and the other on the Energy sector.

Within Marine we have created further expansion and development in the areas of Maritime and Shipping which clearly complement our established areas.

Our Rail Vehicles team will continue to focus on identifying and building relationships with key contacts in train and freight operating companies which is a key long term growth strategy of this department. They will also work closely with our existing clients from the Built Environment sector in order to maximise a Rail presence for Matchtech.

In Automotive we aim to continue increasing our market share through our numerous preferred supplier arrangements with major OEMs and suppliers. In the Aerospace sector, key programme support for the A350 and C Series across engineering and manufacturing will drive growth whilst we will also further develop our Aviation presence, progressing from back office support functions to full airline support capability.

Energy will have a focus on two major marketplaces; Oil & Gas and Renewable Energy. We have had many years of successful trading in the Oil & Gas market with a focus on Offshore, Subsea and Petrochemical projects. Our client range is broad and covers a range of Operators, Contractors, Consultants, Subsea specialists, Drilling Companies and Equipment Manufacturers, with whom we have established and preferred supplier agreements.

Renewable Energy is a new area, created within our Energy Division, and has opportunities for major growth as we are able to capitalise on several business relationships with clients who are also expanding into this market.

The restructure has seen the creation of a dedicated Science & Medical sector which builds upon our previous presence within the Food and Pharmaceutical industries. The sector will place scientific skill sets across all industry sectors, will focus on niche clinical disciplines which will create high margin opportunities, and will also be expanding into the medical arena, further expanding the skill sets supplied. This represents significant growth potential for us with a clear, low risk strategy in line with the niche specialism that has been so effective in the past. The investment in the Pharmaceutical and Biotechnology industry, the unique skills sets within Clinical arena, and the size of the Medical market (c.2.8million people) makes the Science & Medical sector an exciting prospect for growth.

Our Built Environment sector now incorporates the Power & Nuclear team, an area which offers exciting growth opportunity as the proposed nuclear new-build programme looks set for multi-billion pound investment in the next few years. By placing the team within Built Environment we will be able to accelerate growth via our strong, long term successful relationships with core construction clients. Other opportunities will be created within nuclear decommissioning, thermal power and transmission & distribution.

Transportation has been structured to create three teams covering Highways, Traffic and Planning. They will capitalise on the wealth of experience that the business has developed across both the public and private sectors.

The Buildings team are also strongly positioned for the early signs of recovery that are evident in the private sector markets of commercial, retail and leisure.

We have also formed a Rail Team and recruited experienced staff which will enable us to target the safety critical market in addition to the Projects and Design & Build work where we have already made significant progress.

Investment is being released into the water industry evidenced by the latest cycle in the industry, AMP5, which is also serviced from our Built Environment sector. We will develop and build upon our core engineering numbers on the back of several successful years in the water industry.

The Information Systems & Technology sector combines the strengths of the Information Technology and the Electronic Software Systems teams and is designed to take full advantage of the market upturn with a highly experienced management team and an array of experienced consultants. This will be achieved in the Business Information Systems, Electronic Software and Communications markets. A robust business plan provides a clear strategy to maximise profitable growth from these markets across all industry sectors, not just those currently covered across the existing client base.

Across the four sectors clear business and marketing plans are in place to address the new opportunities and clarify how the established strengths of our business can be best leveraged to further increase our market share.

The Group also opened its first non-UK office in Stuttgart, Germany in November 2009.

Our core focus is initially in the Aerospace and Automotive sectors, where we are operating with high profile clients in both engineering and technical disciplines and we have established a number of Preferred Supplier relationships.

We have developed a high quality candidate database and built excellent relationships with many key target companies, 80 of whom have worked with us during the first year of trading.

The skills shortages in the German engineering market are as acute as those in the UK, and our clients see the benefit of working in partnership with a dynamic specialist recruiter to attract the top talent in a competitive marketplace.

The Group is positive about the trading conditions in the German engineering market in the coming year, whilst being mindful of the time it can take to establish a presence in a new market. We are expecting to grow our profile significantly in the supply chains of OEM businesses, in both the Automotive and Aerospace arenas. In addition to developing our core design and engineering focus, we will also continue to grow our services to the Aircraft Maintenance sector.

Barclay Meade

The Group entered the professional staffing market some time ago through leveraging our key relationships with technical clients to successfully fulfil their requirements outside our historic core specialties. As this developed, our staff were increasingly successful in placing professional candidates outside the technical sector, but our technical brand was restricting progress in this area, leading us to rebrand the service under Barclay Meade.

The new brand will provide an engaged professional solution, managing the very best of the talent pool, and provide the best candidates in Accountancy, HR, Marketing & Communications, Supply Chain & Logistics, Financial Services, Sales, Procurement and Executive Search.

With the increased focus on the professional staffing market, a rebrand and launch, combined with the investment in highly experienced Consultants, we expect the business to make significant progress during the coming year. We have a clearly defined strategy, with focused delivery teams in place, and with the continued improvement in economic conditions, Barclay Meade is well positioned to establish itself in the market and to increase its market share,

Alderwood Education

Our Education sector offering was initially established as a by-product of the strategy of a major client. By following the client's move into the Work-Based Learning sector, we were able to expand, supplying NVQ Assessors and Trainers to the Hospitality, Leisure and Care sectors. This has now developed to a level that enables us to launch a dedicated business, Alderwood Education, to service this market, as well as moving into Welfare to Work and Supply Teaching.

In July 2010, the Secretary of State for Work and Pensions, Iain Duncan-Smith, pledged to "change forever a system that has too often undermined work and the aspiration that goes with it". This approach will reinforce the opportunity that exists in the Employability and Welfare to Work programmes. Alderwood, with its established relationships with private training providers, is well placed to supply into these initiatives.

elemense

The demand for recruitment services is becoming more sophisticated, and clients' expectations are increasing. Looking beyond a single successful hire to meet a short-term business requirement, clients are seeking solutions to their longer-term need for the talent to support their business aims. They want innovation, access to leading-edge thinking, and to extract real business advantage from working with their chosen recruitment services provider.

elemense offers a range of recruitment solutions individually tailored to meet the specific needs of each of our clients. These encompass managed agency, neutral vendor and full-scope recruitment process outsourcing (RPO) solutions, together with a range of consulting services that both support the development of our solutions and form components of our delivery models.

Established in 2009, elemense already operates with prestigious clients across a wide range of industry sectors. We adopt a partnership approach, listening and understanding business issues before developing and deploying unique recruitment solutions. Our solutions are wide ranging and include both temporary and permanent workforces, from Apprentices and Graduates through all grades to Boardroom positions.

We understand that clients are expecting something more. A focus wholly on the delivery of a transaction-based service, however efficient, will not deliver on the promise of outsourced recruitment. elemense is seeking to transform the ways in which our clients attract, deploy and retain the talent that is crucial to achieving their objectives.

Although elemense clearly benefits from being part of the Group – with financial strength, significant experience and credibility in a number of our target markets – it operates independently, with Group companies only constituting part of an elemense solution when it is appropriate and of benefit to the client.

Our strategy for elemense includes investment in our capability to deliver transformational resourcing solutions, leveraging the historic areas of strength of the Group and focusing on developing relationships with clients where we can work in partnership to deliver outstanding value.

Operational Review

Engineering Sector

In the Automotive industry, we have seen a significant recovery in Product Development activities. As one of the UK's leading Automotive recruiters we have been instrumental in providing OEMs and suppliers with the resource required to undertake fresh development activities. In the Aerospace market, as the world's airlines move back towards profitable positions, we are at the forefront of the drive to secure the resource required to engineer and build the next generation of aircraft.

Another successful year was achieved by the Marine Department, which saw key Defence projects contribute towards further growth - a 99% fulfilment rate on our Master Vendor accounts for White and Blue Collar requirements in this area being a significant achievement.

The Oil & Gas Team saw signs of improvement and recovery within the Offshore and Subsea markets. Previously delayed upstream projects were signed off and many clients throughout the Oil & Gas industry increased recruitment activity on both a permanent and contract basis. This is continuing into the new financial year across UK and overseas-based clients.

The Power & Nuclear Team focused on client development work. Now in our Built Environment business, this should allow the Team to better capitalise on our long-term relationships with major accounts that will be focusing on the forthcoming New Build programme.

The Pharmaceutical, Food and Medical marketplaces stayed fairly resilient during the year. Our newly created Science and Medical sector will focus on Scientific, Medical and Clinical recruitment. We are targeting significant growth in the coming year.

Built Environment Sector

The Construction industry saw another period of tough trading conditions, but the decline in Construction output was far less dramatic than the previous year. Throughout the downturn, we have continued to successfully protect and improve our key relationships within the sector. This success has been highlighted with the extension of our Master Vendor agreement with Mouchel, our capturing of a significant increase in the volume of business at Transport for London further to their tender process, and an array of wins and improvements on Preferred Supplier Lists across a number of key accounts.

The Private Sector building market bottomed out in early 2010 and recovery is evident in the hardest hit areas such as Commercial, Retail and Leisure. We have positioned ourselves to track and capitalise on such a recovery, however clarity is still required within the Public Sector arena, where we await the outcome of the Government's Comprehensive Spending Review on 20 October 2010.

Within the Water Division we saw the start of AMP5, the latest cycle of investment in the industry which will trigger new projects to start imminently and should enable us to grow our long-term client relationships.

The Rail industry has been a success for us this year, enabling us to create a new department in order to capitalise on our success. We are planning to develop within the Safety Critical marketplace.

Whilst the areas of Highways, Traffic and Planning face further challenges relating to potential funding issues from the Department of Transport, we are market leaders in these core areas and are capitalising on opportunities, which include Private Sector schemes, Parking, Highway Maintenance and Development Control.

Professional Services Sector

During the year we saw the slow re-emergence of hiring demand starting to flow into some of the professional markets, with some sectors - Financial Services for example - accelerating quicker than others. Confidence is gradually flowing through into permanent hiring and, although there has been some hesitation from the candidates to engage, normalisation is emerging. Contractor numbers are at record levels, although margins have been under pressure during the year.

After a strategic review of the professional staffing market it was apparent that the business needed to give its customers sharper clarity of our offering and avoid diluting this service within the Matchtech technical brand. Barclay Meade is well-placed to deliver the Group's strategy of building a significant professional staffing operation.

The year was challenging in the Education market with the shift of expenditure into the Employability programme compensating for the reduction from the Train to Gain initiative. Education and Training, which had been developed from supplying our Master Vendor/RPO clients over the last 6 years, also undertook a strategic review and, as with Professional Services, to avoid diluting this service within the Matchtech technical brand, it was rebranded Alderwood Education.

Alderwood has maintained a strong presence within the Work-Based Learning and Welfare to Work sectors over the last 12 months, as well as moving into the Further Education sector. The major successes have been winning a key Preferred Supplier Agreement with Rathbone Training and securing a place on the Crescent Purchasing Consortium (CPC) framework. The change of Government has led to many changes to funding within the Education sector, but there remains a strong commitment from the state to train the long-term unemployed and develop skills for the future via vocational training and apprenticeships.

Our IT Division saw impressive results this year as a result of a successful business development strategy targeting business outside the traditional client base. We now have a trading history with a portfolio of major corporate organisations. The strength and development within this area will continue to grow with the merging of our IT and ESS Divisions to create the IS&T sector, enabling us to rapidly expand within the areas of Business Information Systems, Communication Systems and ESS.

Outlook

Equipping client organisations with the knowledge and skills required to meet their goals, without incurring unnecessary overhead costs from superfluous headcount, is fast becoming a preferred workforce solution - one which will continue to provide opportunities for the Group.

Our diversified exposure to end-markets continue to give us added resilience to market fluctuations and, whilst we are prepared for a period of tighter Government spending, we believe there will still be areas of growth in our chosen markets. Based on our track record of working in partnership with our customers, identifying and delivering the cost-effective solutions and long-term operational efficiencies they require, we believe we are well placed to take advantage of opportunities that will arise during this uncertain economic period.

The Group has a long track record of profitability, the balance sheet has low levels of debt and we have a highly experienced Management Team capable of dealing quickly and effectively with whatever market conditions are presented to them. The Group has been actively recruiting through the year and anticipates investing a further £2.0m in 2011, giving us the capacity to achieve significant organic growth over the medium term within existing resources.

The Group has begun the year well, with trading in the first two months to the end of September in line with our expectations.

Notwithstanding the uncertain economic times, given our robust business model, the ambitious plans we have for our sector diversification and the start of our international network, the Board is confident in the medium term prospects for the Group.

Adrian Gunn
Chief Executive Officer

Financial Review

Responding to turbulent markets and positioning the Group for the future

We have successfully navigated turbulent markets by reducing costs and flexing our resources to meet demand, whilst investing in promising new initiatives, including Barclay Meade, Alderwood Education, elemense and Germany.

Although the Group continues to expand its remit, servicing an increasing number of sectors, we retain our niche focus with all our individual teams specialising in their own areas of expertise, and drawing on the systems and Shared Service resources of the Group.

The Group has a very balanced business:

- We are not over reliant on any one client. Our largest client accounted for 11% of NFI in 2010
- With over 1,500 fee paying clients, our top 50 clients represent 54% of NFI
- We are a resilient contractor-led business, with a healthy balance of cash generative permanent fees. In 2010, 77% of NFI was generated from contract and 23% from permanent placements
- We also have a balance of business relationships, with major framework agreements that give good visibility and contingency business which operates at higher margins.

We continue to invest in the latest technology to ensure our candidate attraction strategy is best in class adding to our strong service delivery capability.

We also have talented teams in our internal Shared Service departments of Legal & Compliance, IT Systems & Facilities, Marketing & Communications, Bid & Tenders, Finance and HR & Training, who provide specialist support to the business.

The Group's business model - contract focus, a broad spread of clients across many sectors working on long-term infrastructure projects, a balance of key client relationships and low cost operating model with low levels of bank debt - has provided stability against an uncertain economic backdrop and allowed the Group to deliver solid profits for the year.

I believe the Group is well structured to take advantage as economic growth returns.

Performance

The Group's revenue for the year was £264.4m down 2% (2009: £269.6m).

Net Fee Income ('NFI') for the year was £26.2m, down 14% (2009: £30.3m). During this part of the economic cycle there has been downward pressure on margins and pay rates, as clients look to reduce their cost base whilst maintaining the level of staff required to complete projects. Contract margins were 7.8% (2009: 8.4%). Margins in each of the last 4 half years were 2009 H1: 8.6%, H2: 8.2%, 2010 H1: 7.8% and H2: 7.7%. There has also been reduced demand for Permanent staff, due to the uncertainty in the economy. This has resulted in reduced Gross Profit margins of 9.9% (2009: 11.2%) and a change in our business mix with 77% (2009: 73%) of NFI derived from recurring contract income and 23% (2009: 27%) from permanent placements.

As previously reported, during the second half of financial year 2009 the Group reacted quickly to the fast deteriorating market conditions, reducing its core operating costs in the year by £2.1m to minimise the impact of lower NFI, whilst ensuring it maintained core staff levels. Against this, the Group invested in new growth initiatives to enable it to take advantage of an economic recovery, entering the German market (cost: £0.4m) and increasing sales force headcount in the new Professional Services brands, Barclay Meade and Alderwood Education (cost: £0.5m). NFI conversion fell in the year to 33.6% (2009: 38.6%).

The Group generated Operating Profit for the year of £8.8m (2009: £11.6m) down 24%.

Operating profit included a write back of previous years' IFRS 2 share-based payment charges of £0.3m (2009: £0.6m) in respect of the 2008 Long Term Incentive Plan (LTIP) share option grants to staff having lapsed due to the targets not being met.

With low financing costs, the Group generated profit before tax of £8.6m, down 24% (2009: £11.3m).

The effective tax rate for the year was 28.4% (2009: 29.2%).

Profit after tax was £6.1m, down 24% (2009: £8.0m).

Basic earnings per share fell by 23% to 26.35p (2009: 34.37p) and diluted earnings per share by 24% to 25.96p (2009: 34.35p).

Dividends

The Board has proposed an unchanged final dividend for the year of 10.6 pence per share which, if approved by shareholders at the Annual General Meeting, to be held on Friday 19 November 2010, will be payable on 3 December 2010 to those shareholders registered on 5 November 2010.

This makes a total dividend for the year of 15.6 pence per share (2009: 15.6 pence) when added to the interim dividend of 5.0 pence per share, giving dividend cover of 1.7 times (2009: 2.2 times).

Group Balance Sheet

Group net assets stood at £23.7m (2009: £21.2m). The Company had 23.3m fully paid ordinary shares in issue at 31 July 2010 (2009: 23.3m).

Capital Expenditure

With the slowing economy impacting the Group in Financial Year 2009, the Board took swift action to significantly reduce capital expenditure, putting on hold the purchase of new cars and purchasing only essential office and computer equipment.

However, the Board is mindful of the need to continue to invest in the business and ensure that the Group's assets are up to date. Accordingly in the second half of Financial Year 2010, the Group commenced replacing older vehicles and invested in the infrastructure required for the new initiatives, resulting in capital expenditure in the year of £0.6m, all in H2 (2009: £0.4m all in H1).

Net Debt

Net debt at 31 July 2010 was £4.5m (2009: £1.2m). The increase in net debt is almost entirely due to our largest client moving from Corporate Purchase Card payments (4 days) to standard invoicing terms (56 days) resulting in a one-off increase in debtors of approximately £5m. The resultant increase in interest costs is more than compensated by the savings on credit card charges.

The Group operates a working capital Confidential Invoice Discounting facility with Barclays Bank plc, which was extended during the year and is committed until April 2013. The facility ceiling currently stands at the lower of £25m or 90% of qualifying invoiced debtors and interest on borrowing is at Barclays Bank Base Rate plus 2.25%. At 31 July 2010 the balance on the Confidential Invoice Discounting Facility was £4.8m. The utilisation of all borrowing facilities as at 31 July 2010 was less than 20% and the maximum borrowing during the year was £11.9m.

Group Cashflow & Debtors

The Group continues to be cash generative at an operating level. Operating cash conversion in 2010, defined as cash generated from operations as a percentage of operating profit, was 43% (2009: 84%), having been affected by the one-off change in debtors described above. This also affected current debtor days which, at the year-end based upon the preceding three months revenue, were 47.2 days (31 July 2009: 41.8 days; 31 January 2010: 43.4 days). At 31 July 2010, £0.1m (2009: £0.2m) of the £40.5m debtor book was greater than 60 days overdue, less than 0.5%.

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 in order to meet its cash requirements.

The Group's strategy is to finance its operations through a mixture of cash generated from operations and, where necessary, equity finance and borrowings by way of bank facilities and working capital Confidential Invoice Discounting finance. The Group's financial instruments comprise borrowings, cash and various items, such as trade receivables and trade payables that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group does not trade in financial instruments. The main risks arising from the Group's financial instruments are described below.

Liquidity and interest rate risk

The Group had net debt of £4.5m at the year end, comprising £4.8m debt less £0.3m cash.

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

Credit risk

The Group trades only with recognised, creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 16% of total receivables balances at 31 July 2010.

Foreign currency risk

The Board considers that the Group does not have any material risks arising from the effects of exchange rate fluctuations.

Tony Dyer

Chief Financial Officer

CONSOLIDATED INCOME STATEMENT
for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Revenue		264,431	269,581
Cost of Sales		(238,274)	(239,314)
GROSS PROFIT	2	26,157	30,267
Administrative expenses		(17,340)	(18,622)
OPERATING PROFIT	3	8,817	11,645
Finance income		6	9
Finance cost	5	(248)	(376)
PROFIT BEFORE TAX		8,575	11,278
Income tax expense	8	(2,436)	(3,288)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		6,139	7,990

EARNINGS PER ORDINARY SHARE

	Note	2010 Pence	2009 pence
Basic	9	26.35	34.37
Diluted	9	25.96	34.35

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
PROFIT FOR THE YEAR		6,139	7,990
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		18	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		18	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		6,157	7,990

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2010

A) GROUP

	Share capital £'000	Share premium £'000	Translation of foreign operations £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2008	232	3,045	-	224	794	12,771	17,066
Dividends in the year	-	-	-	-	-	(3,626)	(3,626)
Deferred tax movement re share options	-	-	-	-	-	(39)	(39)
IFRS2 credit	-	-	-	-	(156)	-	(156)
IFRS2 reserves transfer	-	-	-	-	(88)	88	-
Transactions with owners	-	-	-	-	(244)	(3,577)	(3,821)
Profit and total comprehensive income for the year	-	-	-	-	-	7,990	7,990
At 31 July 2009	232	3,045	-	224	550	17,184	21,235
At 1 August 2009	232	3,045	-	224	550	17,184	21,235
Dividends in the year	-	-	-	-	-	(3,633)	(3,633)
Deferred tax movement re share options	-	-	-	-	-	4	4
IFRS2 credit	-	-	-	-	(145)	-	(145)
IFRS2 reserves transfer	-	-	-	-	61	(61)	-
Shares issued	1	53	-	-	-	-	54
Transactions with owners	1	53	-	-	(84)	(3,690)	(3,720)
Profit for the year	-	-	-	-	-	6,139	6,139
Other comprehensive income	-	-	18	-	-	-	18
Total comprehensive income	-	-	18	-	-	6,139	6,157
At 31 July 2010	233	3,098	18	224	466	19,633	23,672

B) COMPANY

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 August 2008	232	3,045	59	3,336
Dividends paid in the year	-	-	(3,626)	(3,626)
Transactions with owners	-	-	(3,626)	(3,626)
Profit and total comprehensive income for the year	-	-	3,632	3,632
At 31 July 2009	232	3,045	65	3,342
At 1 August 2009	232	3,045	65	3,342
Dividends paid in the year	-	-	(3,633)	(3,633)
Shares issued	1	53	-	54
Transactions with owners	1	53	(3,633)	(3,579)
Profit and total comprehensive income for the year	-	-	3,634	3,634
At 31 July 2010	233	3,098	66	3,397

BALANCE SHEETS
for the year ended 31 July 2010

	Note	GROUP		COMPANY	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
NON-CURRENT ASSETS					
Intangible assets	10	111	151	-	-
Property, plant and equipment	11	1,627	1,546	-	-
Investments	13	-	-	290	272
Deferred tax asset	12	119	99	-	-
Total Non-Current Assets		1,857	1,796	290	272
CURRENT ASSETS					
Trade and other receivables	14	41,038	32,903	2,991	2,989
Cash and cash equivalents		272	307	116	82
Total Current Assets		41,310	33,210	3,107	3,071
TOTAL ASSETS		43,167	35,006	3,397	3,343
LIABILITIES					
Current Liabilities					
Trade and other payables	15	(13,702)	(10,933)	-	-
Current tax liability		(1,010)	(1,368)	-	(1)
Bank loans and overdrafts	20	(4,783)	(1,470)	-	-
TOTAL LIABILITIES		(19,495)	(13,771)	-	(1)
NET ASSETS		23,672	21,235	3,397	3,342
EQUITY					
Called-up equity share capital	18	233	232	233	232
Share premium account		3,098	3,045	3,098	3,045
Merger reserve		224	224	-	-
Share based payment reserve		466	550	-	-
Translation of foreign operations		18	-	-	-
Retained earnings		19,633	17,184	66	65
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		23,672	21,235	3,397	3,342

These financial statements were approved by the board of directors on 06 October 2010, and signed on their behalf by:

Tony Dyer
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2010

	GROUP		COMPANY	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation	6,139	7,990	3,634	3,632
Adjustments for:				
Depreciation and amortisation	503	626	-	-
(Profit) / loss on disposal of property, plant and equipment	(4)	2	-	-
Interest income	(6)	(9)	-	(4)
Interest expense	248	376	-	-
Taxation expense recognised in profit and loss	2,436	3,288	-	2
Decrease / (increase) in trade and other receivables	(8,134)	5,662	-	(109)
(Decrease) / increase in trade and other payables	2,770	(7,997)	-	-
Unrealised foreign exchange losses/(gains), net	20	-	-	-
Share based payment (credit) / charge	(145)	(156)	-	-
Investment income	-	-	(3,918)	(3,626)
Cash generated from operations	3,827	9,782	(284)	(105)
Interest paid	(248)	(376)	-	-
Income taxes paid	(2,811)	(3,554)	(1)	(6)
NET CASH FROM OPERATING ACTIVITIES	768	5,852	(285)	(111)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of plant and equipment	(533)	(340)	-	-
Purchase of intangible assets	(23)	(39)	-	-
Investment in subsidiaries	-	-	(18)	(22)
Proceeds from sale of plant	15	33	-	-
Interest received	6	9	-	4
Dividend received	-	-	3,918	3,626
NET CASH USED IN INVESTING ACTIVITIES	(535)	(337)	3,900	3,608
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital	52	-	52	-
Proceeds from / (repayments to) invoice discounting facility	3,247	(1,769)	-	-
Increase in overdraft	66	-	-	-
Dividends paid	(3,633)	(3,626)	(3,633)	(3,626)
NET CASH USED IN FINANCING	(268)	(5,395)	(3,581)	(3,626)
Effects of exchange rates on cash and cash equivalents	-	-	-	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(35)	120	34	(129)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	307	187	82	211
CASH AND CASH EQUIVALENTS AT END OF YEAR	272	307	116	82

NOTES

forming part of the financial statements

1. THE GROUP AND COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

i. The business and address of the Group

Matchtech Group plc is a human capital resources business dealing with contract and permanent recruitment in the Private and Public sector. The Company is incorporated in the United Kingdom. The Group is organised in three sectors, Engineering, Built Environment and Professional Services, with niche activities within each sector. The Group's address is: Matchtech Group plc, 1450 Parkway, Whiteley, Fareham PO15 7AF.

ii. Basis of preparation of the financial statements

The financial information contained in this preliminary announcement does not constitute the Group's statutory financial statements for the year ended 31 July 2010 or 2009 but is derived from these financial statements. The financial statements for the year ended 31 July 2009 have been delivered to the Registrar of Companies.

The financial statements for the year ended 31 July 2010 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and as issued by the IASB, will be forwarded to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on these financial statements; their reports were unqualified, and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

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

iii. Going concern

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

iv. New standards and interpretations

New standards and amendments to existing standards applicable for the period ending 31 July 2010 are:

- IFRS 8 'Operating Segments': This new standard had an impact on the nature and extent of the notes in the Group's financial statements regarding segmental reporting.
- IAS 1 'Presentation of Financial Statements – Revised': This amendment had an impact on the presentation of the primary statements in the Group's financial statements, specifically the introduction of the statement of comprehensive income.

The adoption of the above standards has had no impact on the financial statements other than the presentational differences described. Specifically, there was no impact on the balance sheet in the current or prior periods, and as such an additional comparative balance sheet has not been included.

New standards in issue, not yet effective

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

Standard		Effective date (Annual periods beginning on or after)
IFRS 9	Financial instruments	1 January 2013
IAS 24	Related party disclosures	1 January 2011
IFRS 2	Group cash-settled share based payment transactions	1 January 2010
IAS 32	Classification of rights issues	1 February 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
IFRS improvements	Various	Various

Based on the Group's current business model and accounting policies, the Directors does not expect material impacts on the figures in the Group's financial statements when the interpretations become effective.

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

v. Basis of consolidation

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiaries are entities over which the Group has power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

Transactions between Group companies are eliminated on consolidation.

vi. Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT and trade discounts. Revenue on temporary placements is recognised upon receipt of a client approved timesheet or equivalent. Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment at which point it is probable that the economic benefits associated with the transaction will be transferred.

vii. 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 as follows:

Motor vehicles	25.00%	Reducing balance
Computer equipment	25.00%	Straight line
Office equipment	12.50%	Straight line

Residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

viii. Intangible assets

Separately acquired software licences are included at cost and amortised on a straight-line basis over the useful economic life of that asset at 20%-33%. Provision is made against the carrying value of intangible assets where an impairment in value is deemed to have occurred. Amortisation is recognised in the income statement under administrative expenses.

ix. 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.

x. Operating lease agreements

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

xi. Taxation

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

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

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to 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 balance sheet date.

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

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

xii. Pension costs

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

xiii. Share based payment

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

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

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

xiv. Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 August 2006.

Accordingly the classification of the combination (merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax is adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

xv. Financial assets

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

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

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

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

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

Trade receivables subject to the invoice discounting facility are recognised in the balance sheet until they are settled by the customer.

xvi. Financial liabilities

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

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

xvii. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits.

xviii. Dividends

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

xix. Foreign currencies

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

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

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

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

xx. Equity

Equity comprises the following:

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

xxi. Significant accounting estimates and judgements

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

Critical judgements

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

Invoice discounting facility

The terms of this arrangement are judged to be such that the risk and rewards of ownership of the trade receivables do not pass to the finance provider. As such the receivables are not derecognised on draw-down of funds against this facility. This facility is recognised as a liability for the amount drawn.

Key sources of estimation uncertainty

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

Estimated useful lives of property, plant and equipment

The cost of equipment is depreciated on a straight line basis and the cost of motor vehicles is depreciated on a reducing balance basis over their useful lives. Management estimates the useful lives of property, plant and equipment to be within 2 to 4 years. These are common life expectancies applied in the industry in which the Group operates. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's receivables were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required. The carrying amounts of these assets are shown in note 14.

Share based payments

The key assumptions used in estimating the fair values of options granted to employees under IFRS 2 are detailed under note 18.

xxii. Employee benefits

The financial liability in relation to outstanding holiday pay is recognised in the income statement and held as a provision.

2. SEGMENTAL INFORMATION

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

Reportable segments

All amounts in £'000	Engineering		Built Environment		Professional Services		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	161,135	153,170	58,933	68,706	44,363	47,705	264,431	269,581
Gross profit	14,800	15,864	5,469	7,441	5,888	6,962	26,157	30,267
Operating profit	6,181	6,853	1,997	3,013	639	1,779	8,817	11,645
Finance cost, net	(153)	(197)	(50)	(95)	(39)	(75)	(242)	(367)
Profit before tax	6,028	6,656	1,947	2,918	600	1,704	8,575	11,278
Depreciation and amortisation	245	315	121	158	138	153	504	626
Segment net assets	25,408	16,413	8,051	8,389	7,056	7,821	40,515	32,623
Unallocated net liabilities							(16,843)	(11,388)
Total net assets							23,672	21,235

There are no intersegment sales between the reportable segments. Each segment derives its revenues from both temporary and permanent placements.

A segmental analysis of total assets has not been included as this information is not available to the board; the majority of assets are centrally held and are not allocated across the reportable segments. Only trade receivables, as shown in note 14, are reported by segment and as such they are included as segment net assets above. Unallocated net liabilities include non-current assets, other receivables, cash and cash equivalents and current liabilities.

Throughout the year ended 31 July 2010 the Group provided recruitment process outsourcing under the elemense brand. This did not give rise to an additional segment as all the activities were carried out within the segments outlined above and were classified as such in internal reporting.

The Group's German operation, Matchtech GmbH, was established in August 2009. Its performance is included in the Engineering segment above and disclosed separately in the geographical information below.

Geographical information

All amounts in £'000	United Kingdom		Germany		Total	
	2010	2009	2010	2009	2010	2009
Revenue	263,991	269,581	440	-	264,431	269,581
Gross profit	25,992	30,267	165	-	26,157	30,267
Operating profit	9,195	11,645	(378)	-	8,817	11,645
Finance cost, net	(235)	(367)	(7)	-	(242)	(367)
Profit before tax	8,960	11,278	(385)	-	8,575	11,278
Depreciation and amortisation	504	626	-	-	504	626
Non-current assets	1,852	1,796	5	-	1,857	1,796
Net current assets	21,726	19,439	89	-	21,815	19,439
Total net assets	23,577	21,235	94	-	23,672	21,235

Revenue and non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary. The directors are of the opinion that the Group does not generate material cross-border revenues.

Largest customers

During the year revenues of £36,179,000 (2009: £21,834,000) were generated from sales to the Group's largest client and its business process outsourcer. The majority of this revenue is included in the Engineering segment.

No other single client contributed more than 10% of the Group's revenues.

Indicative representation of changes to the Group structure

On 1 August 2010 the Group was restructured.

Matchtech will comprise of the Engineering and Built Environment segments reported above, together with the IT disciplines reported within the Professional Services segment. elemense will be created as a profit centre and will charge other Group companies for services provided to the Group. The new companies Barclay Meade and Alderwood Education will cover the remaining disciplines included in the Professional Services segment reported above.

The following disclosure is an indicative representation of the reported results as if the new structure been implemented throughout the year to 31 July 2010 and does not constitute segmental reporting as defined by IFRS 8.

<i>All amounts in £'000</i>	Matchtech	Professional Services	elemense	Total
Revenue	235,792	18,352	10,287	264,431
Internal revenue and charges	(1,046)	-	1,046	-
Gross profit	21,277	3,080	1,800	26,157
Operating profit	8,463	269	85	8,817
Finance cost, net	(218)	(5)	(19)	(242)
Profit before tax	8,245	264	66	8,575
Depreciation and amortisation	395	69	40	504
Segment net assets	36,117	2,768	1,630	40,515
Unallocated net liabilities				(16,843)
Total net assets				23,672

Matchtech includes Matchtech Group UK Ltd and Matchtech GmbH. Professional Services includes Barclay Meade Ltd and Alderwood Education Ltd. elemense is exclusively elemense Ltd.

The operating profit and finance costs have been estimated using staff headcounts as the basis for apportioning costs.

3. OPERATING PROFIT

Operating profit is stated after charging:

	2010	2009
	£'000	£'000
Depreciation	441	568
Amortisation	63	58
Loss on disposal of property, plant and equipment	4	2
Auditors' remuneration - fees payable for the audit of the financial statements	40	40
- Non audit services: taxation	5	5
other services pursuant to legislation	13	18
Operating lease costs: - Plant and machinery	6	11
- Land and buildings	517	510
Share based payment credit	(145)	(156)
Net loss on foreign currency translation	30	5

4. PARTICULARS OF EMPLOYEES

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

	2010	2009
	No.	No.
Selling	204	229
Administration	66	60
Directors	6	7
Total	276	296

The aggregate payroll costs of the above were:

	2010	2009
	£'000	£'000
Selling	10,296	11,217
Administration	1,142	1,207
Directors	786	899
Total	12,224	13,323

Disclosure of the remuneration of key management personnel, as required by IAS 24, is detailed below. Disclosure of the remuneration of the Statutory Directors is further detailed in the audited part of the remuneration report contained in the Annual Report and Accounts 2010.

	2010	2009
	£'000	£'000
Short term employee benefits	927	746
Post employment benefits	163	172
Share based payments	(45)	(83)
Total	1,045	835

In the prior year only the Statutory Directors met the definition of key management personnel per IAS 24. In the current year, due to changes in the internal structure and the planned expansion of the Group, the number of employees meeting the definition of key management personnel has increased and now includes those who serve on the Group Executive Team.

5. FINANCE COSTS

	2010	2009
	£'000	£'000
Bank interest payable	248	376

6. DIVIDENDS

	2010 £'000	2009 £'000
Equity dividends paid during the year at 15.6 pence per share (2009: 15.6p)	3,633	3,626
Equity dividends proposed after the year-end (not recognised as a liability) at 10.6 pence per share (2009: 10.6p)	2,474	2,467

A dividend will be declared from Matchtech Group UK Ltd prior to the payment of the proposed dividend above.

7. PARENT COMPANY PROFIT

	2010 £'000	2009 £'000
The amount of profit dealt with in the accounts of the Company is	3,634	3,632

The company has taken advantage of the exemption in S408 of the Companies Act 2006 not to present the parent company's income statement.

8. INCOME TAX

	2010 £'000	2009 £'000
Current Tax:		
UK corporation tax	2,436	3,128
Prior year under/ (over) provision	16	6
	2,452	3,134
Deferred tax (note 12)	(16)	154
Income tax expense	2,436	3,288

UK corporation tax has been charged at 28% (2009 – 28%).

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

	2010 £'000	2009 £'000
Profit before tax	8,575	11,278
Profit before tax multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	2,401	3,158
Expenses not (chargeable) / deductible for tax purposes	(24)	23
Deferred tax asset not provided for due to fall in share price	-	155
Enhanced R&D tax relief	(54)	(54)
Adjustments to tax charge in respect of previous periods	16	6
Overseas losses not provided for	97	-
Total tax charge for period	2,436	3,288

Tax charge / (Credit) recognised directly in equity:

	2010	2009
	£'000	£'000
Deferred tax recognised directly in equity	4	(39)
Total tax recognised directly in equity	4	(39)

9. EARNINGS PER SHARE

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

Diluted earnings per share has been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (arising from the Group's share option schemes) into ordinary shares has been added to the denominator. There are no changes to the profit (numerator) as a result of the dilutive calculation. The number of dilutive shares has increased significantly due to the issue of new share options in the current year and because the share price has risen back above the exercise price of the EMI options granted in 2005.

The earnings per share information has been calculated as follows:

	2010	2009
	£'000	£'000
Profit after tax attributable to ordinary shareholders	6,139	7,990
	2010	2009
	'000s	'000s
Weighted average number of ordinary shares in issue	23,296	23,244
Effect of dilutive potential ordinary shares	349	14
Total	23,645	23,258
	2010	2009
	pence	pence
Earnings per ordinary share - basic	26.35	34.37
- diluted	25.96	34.35

10. INTANGIBLE ASSETS

Group

		Software Licences £'000
COST	At 1 August 2008	273
	Additions	39
	At 1 August 2009	312
	Additions	23
	At 31 July 2010	335
AMORTISATION	At 1 August 2008	103
	Charge for the year	58
	At 1 August 2009	161
	Charge for the year	63
	At 31 July 2010	224
NET BOOK VALUE	At 31 July 2009	151
	At 31 July 2010	111

11. PROPERTY, PLANT AND EQUIPMENT

Group

		Motor Vehicles £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
COST	At 1 August 2008	1,724	1,387	864	3,975
	Additions	271	26	43	340
	Disposals	(140)	(11)	(272)	(423)
	At 1 August 2009	1,855	1,402	635	3,892
	Additions	192	194	147	533
	Disposals	(34)	-	(6)	(40)
	At 31 July 2010	2,013	1,596	776	4,385
DEPRECIATION	At 1 August 2008	813	796	557	2,166
	Charge for the year	285	151	132	568
	Released on disposal	(105)	(11)	(272)	(388)
	At 1 August 2009	993	936	417	2,346
	Charge for the year	226	93	122	441
	Released on disposal	(28)	-	(1)	(29)
	At 31 July 2010	1,191	1,029	538	2,758
NET BOOK VALUE	At 31 July 2009	862	466	218	1,546
	At 31 July 2010	822	567	238	1,627

There were no capital commitments as at 31 July 2010 or 31 July 2009.

12. DEFERRED TAX

The deferred tax asset is represented by:

	Group	
	2010	2009
	£'000	£'000
Temporary difference on share based payments		
At start of year	99	292
Recognised in income	16	(154)
Recognised in equity	4	(39)
At end of year	119	99

The rate of UK corporation tax applied to deferred tax calculations is 27% (2008: 28%).

13. INVESTMENTS

	Company	
	2010	2009
	£'000	£'000
Investment in Group companies at 1 August 2009	272	250
Movement in investment in Group companies - Investment in Matchtech BV on incorporation	18	-
Movement in investment in Group companies - Investment in Matchtech GmbH on incorporation	-	22
Investment in Group companies at 31 July 2010	290	272

Subsidiary Undertakings

Company	Country of Incorporation	Share Class	% held	Main Activities
Matchtech Group UK Ltd	United Kingdom	Ordinary	99.998%	Provision of recruitment consultancy
Matchtech Engineering Ltd	United Kingdom	Ordinary	100%	Non trading
Matchmaker Personnel Ltd	United Kingdom	Ordinary	100%	Non trading
Barclay Meade Ltd	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Alderwood Education Ltd	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
elemense Ltd	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Matchtech GmbH	Germany	Ordinary	100%	Provision of recruitment consultancy
Matchtech BV	Netherlands	Ordinary	100%	Non trading

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade receivables	40,515	32,623	-	-
Amounts owed by Group companies	-	-	2,991	2,989
Other receivables	129	76	-	-
Prepayments	394	204	-	-
Total	41,038	32,903	2,991	2,989

The amount due from Group undertakings in the Company balance sheet is considered to approximate to fair value.

Days sales outstanding at the year end based upon the preceding three months revenue were 47.2 days (2009: 41.7 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of debts.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £1,664,000 (2009: £2,660,000) which are past due at the reporting date for which the Group has not provided as the Directors do not believe there has been a significant change in credit quality and consider the amounts to be recoverable in full. The Group does not hold any collateral over these balances.

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

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

Ageing of past due but not impaired trade receivables:

	Group	
	2010	2009
	£'000	£'000
0-30 days	1,494	2,413
30-60 days	170	194
60-90 days	-	38
90+ days	-	15
Total	1,664	2,660

Movement in the allowance for doubtful debts:

	Group	
	2010	2009
	£'000	£'000
Balance at the beginning of the year	360	199
Impairment losses (reversed)/recognised	(12)	161
Balance at the end of the year	348	360

Ageing of impaired trade receivables:

	Group	
	2010	2009
	£'000	£'000
Not past due at reporting date	182	126
0-30 days	83	68
30-60 days	2	66
60-90 days	55	40
90+ days	26	60
Total	348	360

15. TRADE AND OTHER PAYABLES

	Group	
	2010	2009
	£'000	£'000
Trade payables	294	106
Taxation and Social Security	4,150	2,700
Other payables	6,116	5,326
Accruals and deferred income	3,142	2,801
Total	13,702	10,933

16. FINANCIAL ASSETS AND LIABILITIES BALANCE SHEET CLASSIFICATION

The carrying amount of Matchtech's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

Financial assets are included in the balance sheet within the following headings:

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade and other receivables				
- Loan and receivables	40,644	32,699	2,991	2,989
Cash and cash equivalents				
- Loan and receivables	272	307	116	82
Total	40,916	33,006	3,107	3,071

Financial liabilities are included in the balance sheet within the following headings:

	Group	
	2010	2009
	£'000	£'000
Current liabilities		
Borrowings		
- Financial liabilities recorded at amortised cost	4,783	1,470
Trade and other payables		
- Financial liabilities recorded at amortised cost	9,552	8,233
Total	14,335	9,703

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

The working capital facility is secured by way of an all assets debenture, dated 5 August 2002, which contains fixed and floating charges over the assets of Matchtech Group UK Ltd. The facility held with Barclays Bank allows the company to borrow up to 90% of its invoiced debtors up to a maximum of £25 million. Interest is charged on borrowings at a rate of 2.25% over Barclays Bank base rate.

17. COMMITMENTS UNDER OPERATING LEASES

At 31 July 2010 the Group had commitments to pay the following amounts under non-cancellable operating leases as set out below:

		Group	
		2010	2009
		£'000	£'000
Land/buildings	Payments falling due: within 1 year	580	532
	within 1 to 5 years	2,202	1,323
	after 5 years	1,016	784
Other	Payments falling due: within 1 year	43	11
	within 1 to 5 years	61	15

During the year the Group surrendered its right to the break clause in the lease on 1400 Parkway. As a result there are additional payments falling due in respect of this lease included in the analysis above.

18. SHARE CAPITAL

Authorised share capital

Company
2010 2009
£'000 £'000

40,000,000 Ordinary shares of £0.01 each	400	400
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Allotted, called up and fully paid:

Company
2010 2009
£'000 £'000

23,344,000 (2009: 23,273,000) Ordinary shares of £0.01 each	233	232
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The number of shares in issue in the Company increased as follows:

Date	Ordinary shares issued	Share premium received pence per share	Consideration received £
At 01/08/2008	23,229,943		
30/11/2008	3,571	-	36
05/01/2009	2,218	-	22
30/01/2009	2,433	-	24
03/03/2009	2,847	-	28
31/03/2009	3,050	-	31
23/04/2009	19,469	-	195
05/05/2009	3,593	-	36
02/06/2009	2,912	-	29
03/07/2009	2,944	-	29
At 31/07/2009	23,272,980		430
03/08/2009	3,044	-	30
04/09/2009	2,174	-	22
03/10/2009	2,179	-	22
02/11/2009	1,639	-	16
05/12/2009	13,351	-	134
30/03/2010	1,600	-	16
31/03/2010	5,197	145	7,588
30/04/2010	1,391	-	14
28/05/2010	960	-	10
30/06/2010	2,022	-	20
30/06/2010	25,711	145	37,538
23/07/2010	5,263	145	7,684
30/07/2010	2,165	-	22
Total	23,339,676		53,545

Share Options

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

	2010	2009	Date of grant	Exercise price	Exercise period	
	'000s	'000s		pence	From	To
Key Share Options	24	24	18/06/2004	70	18/06/2005	18/06/2014
Key Share Options	106	142	01/12/2005	146	01/06/2007	01/12/2015
Target/Loyalty Share Options	3	3	05/03/2003	70	14/07/2005	05/03/2013
Target/Loyalty Share Options	2	2	18/06/2004	70	18/06/2005	18/06/2014
Target/Loyalty Share Options	1	1	08/11/2004	89	14/07/2006	08/11/2014
Target/Loyalty Share Options	19	24	01/12/2005	146	01/12/2006	01/12/2015
Long Term Incentive Plan Options	0	259	15/11/2007	1	15/11/2010	15/11/2017
Long Term Incentive Plan Options	559	601	14/11/2008	1	14/11/2011	14/11/2018
Long Term Incentive Plan Options	144	0	18/01/2010	1	18/01/2013	18/01/2020
Deferred Share Bonus	36	0	18/01/2010	1	18/01/2012	18/01/2020
Deferred Share Bonus	36	0	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	37	0	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Option Bonus	37	0	18/01/2010	1	18/01/2013	18/01/2020
Total	1,004	1,056				

During the year the Group introduced two new share option schemes: the Deferred Share Bonus scheme and the Zero Priced Share Option Bonus scheme. The deferred share bonus options are to be granted to senior employees following announcement of the results for the year ending 31 July 2010, but entitlement to the options was given on 18 January 2010. The number of options to be granted was subject to the achievement of performance targets in the current period, which have now crystallised, and they have therefore been accounted for in the current year. The zero priced share options have been granted to members of staff subject to two and three year holding periods.

The existing share option schemes are classified as either Long Term Incentive Plan (LTIP) awards or EMI Share Options. LTIP awards are nil-cost options granted to senior staff subject to a three year holding period and the achievement of performance targets. No EMI share options were granted during the year.

All share options have a life of 10 years and are equity settled on exercise.

The movement in share options is shown below:

	2010			2009		
	Number	Weighted average exercise price	Weighted average share price	Number	Weighted average exercise price	Weighted average share price
	'000s	(pence)	(pence)	'000s	(pence)	(pence)
Outstanding at 1 August	1,056	75.6	-	758	75.6	-
Granted	300	1.0	-	662	1.0	-
Forfeited/ lapsed	316	3.1	-	364	3.1	-
Exercised	36	146.0	222	-	-	-
Outstanding at 31 July	1,004	21.1		1,056	75.6	
Exercisable at 31 July	155	131.5		197	134.3	

The number of share options granted includes the deferred share bonus options.

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

Exercise date	2010			2009		
	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)
06/11/2010	-	-	-	15	259	1.0
14/11/2011	15	559	1.0	27	600	1.0
18/01/2012	18	73	1.0	-	-	-
18/01/2013	30	217	1.0	-	-	-
Total		849			859	

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.

The fair values of the share options and the SIPS are included in the table below. The values of the LTIPS granted in the year were calculated using a Monte Carlo simulation method along with the assumptions as detailed below. The fair values of the SIPS, Deferred Bonus Shares and Zero Priced Share Options were calculated as the market values on the date of the grant.

Date of grant		Share price on the date of grant (£)	Exercise price (£)	Volatility (%)	Vesting period (yrs)	Dividend yield (%)	Risk free rate of interest (%)	Fair value (£)
03/08/2009	SIP	1.30	0.01	N/A	3.00	N/A	N/A	1.30
04/09/2009	SIP	1.82	0.01	N/A	3.00	N/A	N/A	1.82
03/10/2009	SIP	1.82	0.01	N/A	3.00	N/A	N/A	1.82
02/11/2009	SIP	2.40	0.01	N/A	3.00	N/A	N/A	2.40
05/12/2009	SIP	2.70	0.01	N/A	3.00	N/A	N/A	2.70
18/01/2010	LTIP	2.46	0.01	21%	3.00	6.3%	2.0%	1.68
18/01/2011	Deferred bonus	1.90*	0.01	N/A	2.00	N/A	N/A	1.90*
18/01/2011	Deferred bonus	1.90*	0.01	N/A	3.00	N/A	N/A	1.90*
18/01/2010	Zero price bonus	2.46	0.01	N/A	2.00	N/A	N/A	2.46
18/01/2010	Zero price bonus	2.46	0.01	N/A	3.00	N/A	N/A	2.46
01/03/2010	SIP	2.24	0.01	N/A	3.00	N/A	N/A	2.24
31/03/2010	SIP	2.22	0.01	N/A	3.00	N/A	N/A	2.22
30/04/2010	SIP	2.52	0.01	N/A	3.00	N/A	N/A	2.52
28/05/2010	SIP	2.38	0.01	N/A	3.00	N/A	N/A	2.38
30/06/2010	SIP	2.32	0.01	N/A	3.00	N/A	N/A	2.32
30/07/2010	SIP	2.15	0.01	N/A	3.00	N/A	N/A	2.15

* The price of the deferred bonus shares has been estimated at £1.90 as the grant has not yet occurred. This is the price of the Company's shares on 5 August 2010, the date of the Company's most recent trading update, and reflects the market reaction to the results in the year to 31 July 2010.

- The volatility of the Company's share price on each date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the Company's stock, calculated over 5 years back from the date of grant, where applicable.
- The risk-free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the life of the option.
- LTIP awards are subject to a TSR test. This "market" based condition is taken into account in the date of grant fair value calculation.

Changes in assumptions

Changes were made to the assumptions used in calculating the IFRS 2 credit in relation to the share options above as follows:

- The lapse rate of the SIPS has been changed from 5% to 0%. This is because the shares are held in a central pot until allocated to an employee, and as such they do not lapse.
- Employer's national insurance is no longer being accrued for in relation to the SIPS. This is to reflect the actual exercise of options during the period where national insurance contributions would be due.
- The growth rate used to calculate the employers' national insurance due on all other share options has been changed from 30% to 0% in response to actual movements in the share price.

The effect of the changes outlined above was to increase the credit recognised in the current year by £55,000.

19. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

During the year the Group made sales of £13,860 (2009: £nil) to Ctruk Group Ltd, a related party by virtue of the common directorship of Andy White. There were no balances outstanding from Ctruk Group Ltd as at the year end. All transactions were undertaken at an arms length price.

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

During the year Matchtech Group UK Ltd charged Matchtech Group PLC £284,000 (2009: £nil) for provision of management services.

20. FINANCIAL INSTRUMENTS

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

Maturity of financial liabilities

The Group financial liabilities analysis at 31 July 2010 was as follows:

	Group	
	2010	2009
	£'000	£'000
In less than one year or on demand:		
Bank overdrafts	66	-
Working capital facility	4,717	1,470
Trade and other payables	9,552	8,233
Total	14,335	9,703

Borrowing facilities

The Group makes use of a working capital facility, details of which can be found in note 16. The undrawn facility available at 31 July 2010 in respect of which all conditions precedent had been met was as follows:

	Group	
	2010	2009
	£'000	£'000
Expiring in one year or less	20,283	18,530

The working capital facility was reviewed by the facility providers in January 2010 and renewed for a further thirty-six months.

The Director's have calculated that the effect on profit of a 1% movement in interest rates would be £81,000.

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

Net foreign currency monetary assets

	Group	
	2010	2009
	£'000	£'000
Euros	131	38

In the Directors' opinion, the exposure to foreign currency risk is not material to the Group therefore a sensitivity analysis in this area has not been included.

21. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Matchtech Group plc's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and to provide an adequate return to shareholders.
- 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 balance sheet.

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

	Group	
	2010	2009
	£'000	£'000
Total equity	23,672	21,235
Cash and cash equivalents	(272)	(307)
Capital	23,399	20,928
Total equity	23,672	21,235
Borrowings	4,783	1,470
Overall financing	28,455	22,705
Capital to overall financing ratio	82%	92%