

# MATCHTECH GROUP PLC

6 October 2011

## Matchtech Group plc Preliminary Results for the year ended 31 July 2011

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 2011.

### Financial Headlines

- Revenue £301.8m up 14% (2010: £264.4m)
- Net Fee Income\* (NFI) £29.8m up 14% (2010: £26.2m)
- Permanent recruitment fees £9.4m up 54% (2010: £6.1m)
- Permanent fees now account for 32% of NFI (2010: 23%)
- Investment of £4.9m, £4.6m in additional sales force, support and marketing
- Profit from operations £6.8m down 23% (2010: £8.8m), reflecting investment in growth strategies
- Trading performance in H2 improved significantly, with profit from operations of £4.3m, up 72% from H1 £2.5m
- Basic earnings per share 20.3 pence down 23% (2010: 26.4 pence)
- Final dividend maintained at 10.6 pence per share
- Net debt of £16.0m (2010: £4.5m)

\* Net Fee Income (NFI) is calculated as Revenue less Contractor Payroll Costs.

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

“The Board is pleased with these results, the progress made this year in broadening the business and the growth achieved in challenging economic conditions.

Growing the Group’s core technical base is central to our business plan. We have built on our strong client relationships and taken the business into new markets where the Board believes there are opportunities for further growth. The new Professional Services brands continue to develop particularly well.

Reflecting our confidence in the future and the strength and resilience of the business, the Board is pleased to propose a maintained final dividend of 10.6 pence per share.

Trading for the first two months of the current year has been in line with the Board’s expectations with a continued increase in contractor numbers, up 5% on 31 July 2011, and permanent fees up 18% on the same period last year. We are mindful that client sentiment can change rapidly as the economic backdrop alters but, with the benefit of last year’s investment in place and business momentum beginning to come through as the new staff increase their productivity, the Board remains cautiously optimistic that the business will deliver a strong performance this year, albeit again weighted to the second half.

Overall, with the new structure now in place the Board is confident that the Group will continue to progress well over the coming years.”

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## **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 with strategic offices in London, St Albans, Aberdeen and Stuttgart.

## **Chairman's Statement**

### **Trading Performance**

The Board is encouraged with the Group's overall performance in the year ended 31 July 2011, especially in the second half of the year. Revenue for the year increased by 14% to £301.8m (2010: £264.4m), with Net Fee Income (NFI) growing 14% to £29.8m (2010: £26.2m). Profit from operations in H2 was £4.3m, up 72% from H1 £2.5m and back to the levels achieved in 2010 (H1: £4.5m, H2: £4.3m).

The Group's ability to respond quickly to market opportunities was demonstrated by permanent fee growth of 54% (2011: £9.4m; 2010: £6.1m) and a record number of contractors on assignment (July 2011: 6,000; January 2011: 5,200; July 2010: 5,100).

A £4.9m investment in our growth strategies led to profit from operations of £6.8m, down 23% on 2010. Further information is provided in the Chief Financial Officer's Report.

After interest expense of £0.4m (2010: £0.2m), profit before tax was £6.4m, down 26% (2010: £8.6m).

### **Cash flow & Net debt**

As reported above, the volume of activity has grown significantly in H2 over H1, as evidenced by an increase in contractors on assignment of 15% from 5,200 at 31 January 2011 to 6,000 at 31 July 2011. This resulted in an increase of £11m in monthly billings (including VAT) from £21m in January 2011 to £32m in July 2011.

Because the Group pays its contractors before it is paid by its customers, the resulting increase in debtors, and hence working capital requirement, has increased net debt to £16.0m at 31 July 2011 (31 January 2011: £4.8m, 31 July 2010: £4.5m).

### **Dividend**

Reflecting our confidence in the future and the strength and resilience of the business, the Board is pleased to propose, subject to shareholder approval at the Annual General Meeting, a 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 (2010: 15.6 pence) covered 1.3 times (2010: 1.7 times) by earnings.

### **People**

The Group Executive Team was expanded in 2010 with the external appointment of Nigel Lynn (Managing Director of Barclay Meade & Alderwood Education) and Peter Collis (Managing Director of elemense), to join Keith Lewis (Managing Director of Matchtech UK) and David Rees (Group HR & Training Director).

Together with Adrian Gunn, our CEO, and Tony Dyer, our CFO, the team has come together well through what has been and remains a period of significant change for the Group.

The Board is very conscious of the important roles that all our employees play in the success of the business. We are a people business and our staff are our most important asset. The Board pays tribute to all our staff for their hard work and dedication, particularly through what have been challenging economic times.

The Board would also like to thank our loyal and hard-working contractors who have provided our clients with an exemplary service.

### **Board**

Since the year end, on 3 August 2011, Richard Bradford joined the Board as a Non-Executive Director.

Richard brings additional recruitment sector expertise as the former Chief Executive of AIM listed Carlisle Group over an 11 year period, up to and including the merger to create Impellam Group plc. He is currently Chief Executive of UK based InHealth Group, a leading provider of diagnostics and imaging services.

## **Markets**

In my Chairman's Statement last year I wrote about the uncertain outlook ahead of the Government's Comprehensive Spending Review on 20 October 2010, with an expectation of significant Public Sector spending cuts.

The outcome of the Review was generally favourable to the Group's clients, with the confirmed build of the two QE Class aircraft carriers and the committed investment of £30bn in transport infrastructure, including Crossrail and the London Underground.

The Board remains watchful of the risks to the business with the full effects of spending cuts and tax increases still to filter through to the economy.

Whilst the economic climate remains subdued, we are seeing improvement in some areas where the Group is a market leader, including IT, Professional Services and Engineering for Permanent staff and Engineering and IT for Temporary and Contract staff.

All sectors within the Group have progressed well in the year showing good growth in NFI, with the exception of the elemense brand, where the NFI reduction was essentially due to a change in the trading arrangement with our largest client at the start of the 2011 financial year. This NFI is now accounted for in Matchtech UK.

## **Strategy**

Growing the Group's core technical base remains central to our business plan.

Matchtech UK, which represents 79% of the Group's NFI, offers a resilient and robust platform.

We have built on our strong existing client relationships and taken the business into new markets where the Board believes there are opportunities for further growth.

Importantly, Matchtech UK, benefiting from the skills and experience of its staff, our efficient processes and IT systems, has maintained a high rate of conversion of NFI to profit from operations of 43.6% (2010: 41.5%). We believe that our solid foundation, years of experience in this market and excellent customer service will enable us to continue to grow organically, as the economy recovers. Over the coming years we will be looking at further opportunities to take this expertise into further overseas technical markets where we believe we can replicate the success of Matchtech in the UK.

Trading in Germany continues to gain momentum, and diversifying into new sectors under the Professional Services brands of Barclay Meade and Alderwood Education has created additional growth opportunities. Adding value to our clients through our elemense brand increases opportunities for the Group as a whole, while it also contributes through its own direct delivery.

Our investment in these new areas has started to show results with profit from operations of £4.3m in the second half of the year returning to half year levels seen in 2010 (H1: £4.5m, H2: £4.3m).

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

## **Outlook**

In our Pre-close Trading Update on 4 August 2011, we referred to the uncertain economic backdrop. Since then this has become more uncertain but, to date, this has not manifested itself in the markets in which we operate.

Trading for the first two months of the current year has been in line with the Board's expectations with a continued increase in contractor numbers, up 5% on 31 July 2011, and permanent fees up 18% on the same period last year. We are mindful that client sentiment can change rapidly as the economic backdrop alters but, with the benefit of last year's investment in place and business momentum beginning to come through as the new staff increase their productivity, the Board remains cautiously optimistic that the business will deliver a strong performance this year, albeit again weighted to the second half.

Overall, with the new structure now in place the Board is confident that the Group will continue to progress well over the coming years.

## **George Materna**

Chairman

## Chief Executive's Review

### Performance Overview

This has been a year of change for the Group during which we have invested in and developed our business ready for the next period of growth.

The Group has delivered solid results for the year, against a backdrop of uncertainty in the economy. NFI has increased 14% on the previous year to £29.8m (2010: £26.2m). Contract NFI accounted for 68% and Permanent Fees 32% of total NFI in the year (2010: 77%; 23%).

Having made significant investments in new strategic initiatives we are starting to see the results. H2 profit from operations of £4.3m was 72% higher than that for H1 and at a comparable level to that in each half of the previous year.

The number of contractors on assignment has remained stable throughout the recession, which is a testament to the resilience of the business. The numbers increased rapidly in the second half, finishing the year at over 6,000, up 15% on 31 January 2011.

This rapid growth, along with the investment we made during the year, has put extra demand on our working capital. We successfully extended our banking facilities during the year while keeping our leverage ratios at comfortable levels.

### Matchtech UK

Our core UK technical business has performed well this year. NFI was up 10% to £23.4m (2010: £21.2m).

Contract NFI was essentially unchanged at £17.4m (2010: £17.3m) with the margin reductions from the extension of our two largest contracts balanced out by an increase in contractor volumes up 23%, from 4,300 at 31 July 2010 to 5,300 at 31 July 2011.

Permanent fees were up 61% to £6.1m (2010: £3.8m).

This has resulted in a shift in our business mix with 74% (2010: 82%) of NFI generated from contract NFI and 26% (2010: 18%) from permanent fees.

The new structure implemented at the start of the year has enabled us to capitalise on our core strengths and experience in the technical arena, providing opportunities for further expansion and diversification. The new structure gives the business clarity in reporting and clear focus on 4 key sectors:

- Engineering
- Built Environment
- Information Systems & Technology
- Science & Medical

Clients have continued with procurement-led initiatives to streamline their supply chains. We have responded by winning increased levels of exclusivity. As our markets gradually recover we have started to reap the rewards of those agreements and increase our market share.

### *Engineering Sector*

The Engineering Sector saw significant increases in demand across both the contract and permanent divisions in the year.

Contractor numbers on assignment rose from 2,300 at 31 July 2010 to over 2,800 at 31 July 2011, although supplier rationalisation by clients has resulted in reduced contract margins from 7.4% to 6.3%. Permanent fees were up 60% on 2010. NFI was up 5% at £10.2m (2010: £9.7m), with contract NFI down 1% to £8.6m and permanent fees up 60% to £1.6m.

Within the Marine industry we continue to be involved in a range of defence industry programmes which are at various phases of design and build. We have a leading presence in the commercial marine marketplace and are expanding into the shipping marketplace. The Government's Comprehensive Spending Review in October 2010 did not have a significant impact on the Marine business clients, with the confirmed build of the 2 new QE Class aircraft carriers.

Within the Automotive industry we have seen unprecedented demand created by the Original Equipment Manufacturers looking to develop new chassis and power train combinations and we will capitalise on this demand within our specialist niche teams of consultants.

The Aerospace market continues to provide good opportunities for us in both engineering and manufacturing, with our support for major programmes including the A350, C Series, A320 and B787.

Our focus in the Energy area is on Oil & Gas and the Renewable Energy marketplaces, where we have opened up new opportunities within the existing Aberdeen client base. Further expansion is planned in order to focus on the Offshore and Subsea markets where we have clearly established ourselves over the years as a specialist player. The synergy that exists between clients in these areas and those in the Renewable Energy sector has enabled us to build a solid platform from which to develop further, particularly with the Round 3 announcement of 6,000 turbines around the coast of the UK by 2020.

#### *Built Environment Sector*

Built Environment showed signs of confidence returning to the marketplace, particularly in the second half, giving us encouragement in our plans for 2012.

NFI of £5.3m was up 2% (2010: £5.2m), with contract NFI down 2% to £4.6m (2010: £4.7m) and permanent fees up 40% to £0.7m (2010: £0.5m). This led to a slight shift in mix with 87% (2010: 90%) of NFI generated from contract and 13% (2010: 10%) from permanent fees.

Contractors on assignment at 31 July 2011 were up 18% at 1,300 (31 July 2010: 1,100).

Whilst areas such as Highways and Traffic remain cautious following the effects of the Government's spending review, there have been clear signs of recovery within Water, Rail and Buildings, and we have made further investment in sales force headcount in these areas.

Success with major clients in securing supply routes has put us in an excellent position to deliver strong growth as the markets strengthen.

#### *Information Systems & Technology Sector*

Our Information Systems and Technology sector was created last year by combining our Information Technology and Electronic Software Systems teams. Skill sets in these 2 areas are increasingly transferable and our new approach has allowed us to take full advantage of the market upturn.

Whilst contract NFI of £3.3m was the same as 2010, permanent fees increased by 80% to £2.7m (2010: £1.5m).

Contractors on assignment increased by 29% to over 900 at 31 July 2011 from 700 the previous year but, with most of this increase during the last quarter, the increase had limited impact in the year.

Our skill set and industry specialism has enabled us to secure numerous significant client wins, both in the UK and overseas.

This sector should continue to benefit as a result of the further investment in sales force headcount, investment that will see us capturing more business in technology skill sets across all industries as well as making further progress within growing markets such as Cyber Security.

#### *Science & Medical Sector*

Having developed from an original client base within our Pharmaceutical and Food clients, the Science & Medical sector has performed well and delivered strong growth.

Contract NFI was up 14% to £0.8m (2010: £0.7m) and permanent fees grew by 38% to £1.1m (2010: £0.8m). Overall NFI was up 27% to £1.9m (2010: £1.5m).

We will continue to build upon the business development that has enabled us to clearly establish ourselves in the areas of Scientific, Medical and Clinical recruitment with a mix of industry and skill set focus throughout the team.

### **Germany**

Our office in Stuttgart serves the German technical marketplace, focusing on the Automotive, Aerospace and Energy sectors. Trading started in August 2009 and continued to gain momentum in 2011 with NFI of £0.6m (2010: £0.2m). We are now starting to make good progress within the Aerospace sector with a number of key contract wins; developing a presence in the Automotive sector has been slower.

### **Professional Services**

NFI for the year was up 43% to £4.3m (2010: £3.0m) across our two new Professional Services brands.

The growth came from increased permanent fees which were up 88% in the year to £3.0m (2010: £1.6m). The average fee per placement rose 51% to £4,400 (2010: £2,900), reflecting the increased amount of higher margin permanent business.

Contract NFI of £1.3m remained stable in the year, as did the number of contractors on assignment.

*Barclay Meade*

Barclay Meade was launched at the beginning of the financial year with the aim of extending the services already provided within the Group to our major clients and diversifying into new markets including Procurement, Accounting, Executive Search, Sales, HR, Financial Services and Marketing.

In order to provide high service levels to our customers, Barclay Meade opened offices in London, St Albans and Aberdeen to complement the Group's existing South Coast location at Fareham.

We adopted a strategy of recruiting highly experienced consultants with existing strong relationships into defined niche business streams, and this has generated permanent revenue and increased NFI quarter on quarter throughout the year, albeit at a slower rate than originally anticipated.

Whilst the time taken to recruit was elongated and the challenge of identifying and recruiting suitable high quality consultants still remains, the business is now becoming established in all areas and, as shown by the growth in NFI reported above, has made considerable progress during its first year of trading.

Our primary focus for the coming year is to drive continued fee growth by ensuring that the talented people within the business continue to mature. The pace of future growth will be partly determined by the rate of any macro-economic recovery.

#### *Alderwood Education*

In the last 12 months, Alderwood Education has developed 2 new business streams as well as securing its position as the market leading recruiter within Work-Based Learning.

With major government commitment and investment into apprenticeship placements and vocational training, Alderwood has continued to supply NVQ Assessors and Trainers to the UK's leading training providers. This spans all sectors including Care, Hospitality, Leisure and Engineering. To support the growth of this market, Alderwood has developed a freelance model which has proved to be commercially successful for emerging providers.

A key area of growth for Alderwood has been the Welfare to Work sector. Alderwood has been actively involved with the Government's new Work Programme initiative, as well the European Social Fund and Work Choice programmes. Alderwood is engaged with the prime and sub contractors for the supply of both Personal Advisors and managerial level roles. We are currently developing an innovative recruitment solution to assist clients with attracting and retaining the best talent.

The third business stream within Alderwood is Supply Teaching. We have developed a localised model from our South Coast office, supplying teachers in Hampshire, West Sussex and Surrey. This fledgling team is developing well and our experienced consultants will give Alderwood a footprint and scalable model to allow for regional growth in the coming years.

Alderwood has secured the services of Lord Knight as a non-executive advisor. Lord Knight was previously the Minister of State for Schools, Employment and Welfare Reform.

#### **elemense**

elemense offers a range of solutions to meet our clients' needs; from master vendor to full-scope Recruitment Process Outsourcing (RPO) solutions, together with a range of associated consulting services. It ensures that the quality of delivery to the client is high and adds innovative solutions to the more complex recruitment issues our clients can often face.

Although elemense only directly generated 5% of Group NFI in 2011, it is a strategically important business. During the year clients managed by elemense generated total revenue of over £52m (17% of Group revenue) and £4.5m NFI (15% of Group NFI).

During the last 12 months we have been successful in extending our current arrangements with a number of large existing clients such as Mouchel, Ricardo and Claverham.

We have also added more clients to our portfolio, including Selex SI (part of Finmeccanica Group) and a leading player in the automotive sector.

Our new business pipeline has increased significantly and we continue to broaden our direct delivery capability to address client demand.

elemense benefits from the strength of Matchtech UK within the technical recruitment markets for lead generation and service delivery capability. Our medium term goal is to win business outside the technical marketplace and provide the

client with a direct service delivery model. This will drive the profitability for this Business Unit and the Group without impacting on our core technical brand.

We remain very positive about this strategically important part of the Group's business.

### **Management and Staff**

We have a strong management team throughout the organisation, led by an experienced Group Executive Team.

Total staff numbers at 31 July 2011 were 350, up 18% (31 July 2010: 297). Sales force headcount has risen by 17% from 227 to 266. This increase reflects our investment in both the new Professional Services brands along with additional headcount in Matchtech UK where activity levels have increased over the year.

Staff turnover for the year was 30% (2010: 24%), an increase that reflects the challenges in recruiting staff with the right calibre to create and develop a new brand.

Retaining existing staff, as much as our ability to attract new talent, will be a key focus for us to drive the success of the Group over the coming years.

All of our staff across the Group work towards one common set of values: Teamwork, Integrity, Innovation, Enthusiasm, and Fun. I thank all our dedicated staff for their commitment to the Group and their sharing of these values.

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.

### **Business Plan**

As a part of our 5 year business plan we have laid out 7 key aims:

1. **Expanding our sector diversification and geographical reach** by building on our early successes and looking at opportunities to grow into new sectors and additional strategic locations within the UK.
2. **Increasing the NFI we generate per employee** by focusing on developing existing client relationships and winning new business outside the technical sector.
3. **Building our conversion ratio of NFI to profit from operations** as our investments mature, continuing the Group's ability to generate high levels of return from NFI.
4. **Improving our staff retention levels** by continuing to look at staff engagement and providing career opportunities. This is a key factor in determining how fast the Group can grow.
5. **Enhancing internal systems performance and controls** to deliver an even faster, more efficient and robust service to our clients.
6. **Maximising cross-selling opportunities across the Group** by utilising the increasingly varied client base being created with our expanding brands.
7. **Extending our international reach** by developing a structured rollout of international opportunities.

I look forward giving shareholders an initial update as to our progress on these aims at the interim results in April 2012.

### **Adrian Gunn**

Chief Executive Officer

## **Chief Financial Officer's Report**

### **Structuring the Group for the Future**

The Group has remained profitable throughout the turbulent markets of the last three years.

We took positive action by reducing costs and flexing our resources to meet demand.

We are now on a programme of building on our core business, diversifying geographically, into new sectors and adding value to our clients.

We continue to invest in the latest technology, combining candidate attraction with our strong service delivery capability.

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

### **Critical Accounting Policies**

The Statement of Significant Accounting Policies is set out in Note 1 to the Financial Statements.

The Group's Revenue Recognition policy may be summarised as:

- Contract revenue, and hence contract net fee income, is only recognised upon receipt of a client signed timesheet.
- Permanent fees are only recognised following confirmation by the client that the candidate has started work.
- Other fees are recognised on confirmation from the client committing to the agreement.

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The Board considers that the estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of tangible assets (where the Group estimates useful lives for the purposes of depreciation) and uncertain tax positions.

### **Revenue and NFI**

Group revenue for the year was £301.8m, up 14% (2010: £264.4m), reflecting the Group's ability to maintain business levels through a period of economic instability. The Group's broad spread of clients and sectors, with many key relationships under framework agreements linked to working on long-term infrastructure projects, has provided a stable platform.

The Group generated £29.8m of NFI for the year, up 14% (2010: £26.2m).

Contractor numbers on assignment grew significantly in the year. Starting the year on 5,100, numbers increased slightly to 5,200 at the half year, but grew by over 800 in the second half to just over 6,000 by the year end. Whilst much of this growth occurred in the last quarter, and hence had limited impact on this year's NFI, it has increased the level of debtors and net debt at 31 July 2011, as explained below.

Contract NFI was up 1% to £20.4m (2010: £20.1m) reflecting the reduced margins from the renewal of our two largest contracts in late 2010.

Permanent Fees of £9.4m were up 54% (2010: £6.1m). The growth in fees was as a result of recovery within the Matchtech UK core business and the contribution from the new Professional Services brands as they start to become established.

Information on the performance of the Group's businesses is provided in the Chief Executive Officer's Report.

### **Overheads and NFI conversion**

In the year the Group made significant investments in both the core business and especially in establishing the new brands, growing our headcount in those two businesses from 315 at 31 July 2010 to 350 at 31 July 2011.

With other related costs including new establishment costs for our offices in London, St Albans and Aberdeen, operating overheads for the year were up £5.6m in the year to £23.0m (2010: £17.4m) split £11.1m in H1 and £11.9m in H2.

The result of this early investment started to be reflected in increased NFI as the year progressed, although the growth was somewhat slower than initially anticipated.

This has impacted on our NFI conversion, the amount of profit from operations we generate from our NFI, for the year which has reduced to 22.9% (2010: 33.7%).

### **Profit & Earnings Per Share**

Profit from operations was £6.8m, down 23% (2010: £8.8m).

Encouragingly, trading performance improved significantly in H2 over H1. After reporting profit from operations in FY2011 H1 of £2.5m, the profit from operations in FY2011 H2 of £4.3m returned to 2010 half-year levels (H1: £4.5m, H2: £4.3m).

The Group generated profit before tax of £6.4m in the year, down 26% (2010: £8.6m) reflecting slightly higher financing costs of £0.4m (2010: £0.2m).

Basic earnings per share fell by 23% to 20.26p (2010: 26.35p) and diluted earnings per share for the year were 19.74p, down 24% (2010: 25.96p).

### **Dividends**

The Board proposes 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 18 November 2011, will be payable on 2 December 2011 to those shareholders registered on 4 November 2011.

When added to the interim dividend of 5 pence per share this makes an unchanged total dividend for the year of 15.6 pence per share, giving dividend cover of 1.3 times (2010: 1.7 times).

### **Group Consolidated Statement of Financial Position**

Group net assets at the year end stood at £25.1m (2010: £23.7m).

The Company had 23.4m fully paid ordinary shares in issue at 31 July 2011 (2010: 23.3m).

### **Capital Expenditure and Tangible and Intangible Assets**

Capital expenditure in the year was £0.5m (2010: £0.6m).

Tangible assets at 31 July 2011 of £1.5m (2010: £1.6m) consist of the Group's Motor Fleet, Office Equipment and Computer Equipment.

Intangible items at 31 July 2011 of £0.1m (2010: £0.1m) consist of external software licences which are amortised over the expected life of the licence.

At 31 July 2011 the Group did not carry any goodwill on its Consolidated Statement of Financial Position (2010: £nil).

### **Working Capital, Cashflow and Net Debt**

The volume of activity grew significantly in the second half of the year, as evidenced by a 15% increase in contractors on assignment from 5,200 at 31 January 2011 to over 6,000 at 31 July 2011.

This resulted in an increase of £11.0m in monthly billings (including VAT) from £21.0m in January 2011 to £32.0m in July 2011.

Because the Group pays its contractors before it is paid by its customers, the resulting increase in debtors, and hence working capital requirement, has increased net debt by £11.5m at 31 July 2011 to £16.0m (31 January 2011: £4.8m, 31 July 2010: £4.5m). However the aged debtor profile at 31 July 2011 remains similar to that at 31 January 2011. The Board continues to monitor closely Credit Control performance.

Cash flow may be summarised as:

	2011	2010
	£m	£m
Profit from operations	6.8	8.8
Adjustments for:		
Increase in trade/other receivables	(15.4)	(8.1)
Increase in trade/other payables	2.9	2.8
Non cash items	0.8	0.4
Cash generated from operations	(4.9)	3.9
Capital expenditure	(0.5)	(0.6)
Interest paid	(0.4)	(0.2)
Income taxes paid	(2.0)	(2.8)
Net Cashflow (before dividends & financing)	(7.8)	0.3
Dividends paid	(3.6)	(3.6)
Movement in banking facilities & cash	(11.4)	(3.3)

Current debtor days at the year-end were 53 (31 July 2010: 47).

### Banking Facilities

The Group operates a working capital Confidential Invoice Discounting facility with Barclays Bank plc.

In July 2011 the Group agreed an increase in the borrowing limit of £10m, with a commitment until April 2013. The facility ceiling currently stands at the lower of £35m or 90% of qualifying invoiced debtors and interest on borrowing is at Barclays Bank Base Rate plus 2.25%.

At 31 July 2011 the balance on the Confidential Invoice Discounting Facility was £16.3m.

### 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 £16.0m at the year end, comprising £16.5m debt less £0.5m 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. Receivable 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 14% of total receivables balances at 31 July 2011.

### 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  
5 October 2011

**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Revenue		301,806	264,431
Cost of Sales		(272,048)	(238,274)
<b>GROSS PROFIT</b>	2	<b>29,758</b>	26,157
<b>Administrative expenses</b>		<b>(22,939)</b>	(17,340)
<b>PROFIT FROM OPERATIONS</b>	3	<b>6,819</b>	8,817
Finance income		30	6
Finance cost	5	(461)	(248)
<b>PROFIT BEFORE TAX</b>		<b>6,388</b>	8,575
Income tax expense	8	(1,654)	(2,436)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>4,734</b>	6,139

**EARNINGS PER ORDINARY SHARE**

	Note	2011 pence	2010 pence
Basic	9	20.26	26.35
Diluted	9	19.74	25.96

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 July 2011

	2011 £'000	2010 £'000
<b>PROFIT FOR THE YEAR</b>	<b>4,734</b>	6,139
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translating foreign operations	(28)	18
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(28)</b>	18
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>4,706</b>	6,157

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 July 2011

**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
<b>At 1 August 2009</b>	<b>232</b>	<b>3,045</b>	<b>-</b>	<b>224</b>	<b>550</b>	<b>17,184</b>	<b>21,235</b>
Dividends paid 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 and total comprehensive income for the year	-	-	-	-	-	6,139	6,139
Other comprehensive income	-	-	18	-	-	-	18
Total comprehensive income	-	-	18	-	-	6,139	6,157
<b>At 31 July 2010</b>	<b>233</b>	<b>3,098</b>	<b>18</b>	<b>224</b>	<b>466</b>	<b>19,633</b>	<b>23,672</b>
<b>At 1 August 2010</b>	<b>233</b>	<b>3,098</b>	<b>18</b>	<b>224</b>	<b>466</b>	<b>19,633</b>	<b>23,672</b>
Dividends paid in the year	-	-	-	-	-	(3,646)	(3,646)
Deferred tax movement re share options	-	-	-	-	-	5	5
IFRS2 charge	-	-	-	-	288	-	288
IFRS2 reserves transfer	-	-	-	-	25	(25)	-
Shares issued	1	28	-	-	-	-	29
Transactions with owners	1	28	-	-	313	(3,666)	(3,324)
Profit for the year	-	-	-	-	-	4,734	4,734
Other comprehensive income	-	-	(28)	-	-	-	(28)
Total comprehensive income	-	-	(28)	-	-	4,734	4,706
<b>At 31 July 2011</b>	<b>234</b>	<b>3,126</b>	<b>(10)</b>	<b>224</b>	<b>779</b>	<b>20,701</b>	<b>25,054</b>

**B) COMPANY**

	Share capital £'000	Share premium £'000	Restated Share based payment reserve £'000	Restated Retained earnings £'000	Total £'000
<b>At 1 August 2009 as originally stated</b>	<b>232</b>	<b>3,045</b>	<b>-</b>	<b>65</b>	<b>3,342</b>
Impact of change in accounting policy (see note 1xxii)	-	-	550	-	550
<b>At 1 August 2009 as restated</b>	<b>232</b>	<b>3,045</b>	<b>550</b>	<b>65</b>	<b>3,892</b>
Dividends paid in the year	-	-	-	(3,633)	(3,633)
IFRS 2 credit	-	-	(145)	-	(145)
IFRS 2 reserves transfer	-	-	61	(61)	-
Shares issued	1	53	-	-	54
Transactions with owners	1	53	(84)	(3,694)	(3,724)
Profit and total comprehensive income for the year	-	-	-	3,634	3,634
<b>At 31 July 2010 as restated</b>	<b>233</b>	<b>3,098</b>	<b>466</b>	<b>5</b>	<b>3,802</b>
<b>At 1 August 2010</b>	<b>233</b>	<b>3,098</b>	<b>466</b>	<b>5</b>	<b>3,802</b>
Dividends paid in the year	-	-	-	(3,646)	(3,646)
IFRS 2 charge	-	-	288	-	288
IFRS 2 reserves transfer	-	-	25	(25)	-
Shares issued	1	28	-	-	29
Transactions with owners	1	28	313	(3,671)	(3,329)
Profit and total comprehensive income for the year	-	-	-	4,532	4,532
<b>At 31 July 2011</b>	<b>234</b>	<b>3,126</b>	<b>779</b>	<b>866</b>	<b>5,005</b>

**STATEMENTS OF FINANCIAL POSITION**  
for the year ended 31 July 2011

	Note	GROUP		COMPANY		
		2011 £'000	2010 £'000	2011 £'000	Restated 2010 £'000	Restated 2009 £'000
<b>NON-CURRENT ASSETS</b>						
Intangible assets	10	106	111	-	-	-
Property, plant and equipment	11	1,530	1,627	-	-	-
Investments	13	-	-	983	695	822
Deferred tax asset	12	188	119	-	-	-
<b>Total Non-Current Assets</b>		<b>1,824</b>	1,857	<b>983</b>	695	822
<b>CURRENT ASSETS</b>						
Trade and other receivables	14	56,452	41,038	3,878	2,991	2,989
Cash and cash equivalents		475	272	144	116	82
<b>Total Current Assets</b>		<b>56,927</b>	41,310	<b>4,022</b>	3,107	3,071
<b>TOTAL ASSETS</b>		<b>58,751</b>	43,167	<b>5,005</b>	3,802	3,893
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade and other payables	15	(16,577)	(13,702)	-	-	-
Current tax liability		(690)	(1,010)	-	-	(1)
Bank loans and overdrafts	20	(16,430)	(4,783)	-	-	-
<b>TOTAL LIABILITIES</b>		<b>(33,697)</b>	(19,495)	-	-	(1)
<b>NET ASSETS</b>		<b>25,054</b>	23,672	<b>5,005</b>	3,802	3,892
<b>EQUITY</b>						
Called-up equity share capital	18	234	233	234	233	232
Share premium account		3,126	3,098	3,126	3,098	3,045
Merger reserve		224	224	-	-	-
Share-based payment reserve		779	466	779	466	550
Translation of foreign operations		(10)	18	-	-	-
Retained earnings		20,701	19,633	866	5	65
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>25,054</b>	23,672	<b>5,005</b>	3,802	3,892

These financial statements were approved by the Board of Directors on 5 October 2011, and signed on their behalf by:

Tony Dyer  
Chief Financial Officer

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 July 2011

	GROUP		COMPANY	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
		Restated*		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit after taxation	4,734	6,139	4,532	3,634
Adjustments for:				
Depreciation and amortisation	516	503	-	-
Loss / (profit) on disposal of property, plant and equipment	8	(4)	-	-
Interest income	(30)	(6)	(1)	-
Interest expense	461	248	-	-
Taxation expense recognised in income statement	1,654	2,436	-	-
(Increase) in trade and other receivables	(15,414)	(8,134)	(886)	-
Increase in trade and other payables	2,875	2,770	-	-
Unrealised foreign exchange (gains) / losses, net	(28)	20	-	-
Share-based payment charge / (credit)	288	(145)	-	-
Investment income	-	-	(4,815)	(3,918)
<b>Cash generated from operations</b>	<b>(4,936)</b>	<b>3,827</b>	<b>(1,170)</b>	<b>(284)</b>
Interest paid	(461)	(248)	-	-
Income taxes paid	(2,040)	(2,811)	-	(1)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(7,437)</b>	<b>768</b>	<b>(1,170)</b>	<b>(285)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of plant and equipment	(484)	(533)	-	-
Purchase of intangible assets	(45)	(23)	-	-
Investment in subsidiaries	-	-	-	(18)
Proceeds from sale of plant	107	15	-	-
Interest received	30	6	-	-
Dividend received	-	-	4,815	3,918
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(392)</b>	<b>(535)</b>	<b>4,815</b>	<b>3,900</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of share capital	29	52	29	52
Dividends paid	(3,646)	(3,633)	(3,646)	(3,633)
<b>NET CASH USED IN FINANCING</b>	<b>(3,617)</b>	<b>(3,581)</b>	<b>(3,617)</b>	<b>(3,581)</b>
EFFECTS OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	2	-	-	-
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(11,444)</b>	<b>(3,348)</b>	<b>28</b>	<b>34</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(4,511)	(1,163)	116	82
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>(15,955)</b>	<b>(4,511)</b>	<b>144</b>	<b>116</b>
<b>CASH AND CASH EQUIVALENTS</b>				
Cash	475	272	144	116
Bank overdrafts	(172)	(66)	-	-
Working capital facility utilised	(16,258)	(4,717)	-	-
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>(15,955)</b>	<b>(4,511)</b>	<b>144</b>	<b>116</b>

\* Note: the comparatives have been restated to aid the understanding of cash and cash equivalents by including the working capital facility and bank overdrafts.

**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's address is: Matchtech Group plc, 1450 Parkway, Whiteley, Fareham PO15 7AF.

**ii. Basis of preparation of the financial statements**

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union (EU) and which are effective at 31 July 2011.

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 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 2011 are:

- IFRS 2 'Share-based payment': this new standard had an impact on cash settled share-based payment transactions.

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

**New standards in issue, not yet effective**

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

<b>Standard</b>		<b>Effective date (Annual periods beginning on or after)</b>
IAS 24	Related Party Disclosures	1 January 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS improvements	Various	Various

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

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

**v. Basis of consolidation**

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the statement of financial position date. Subsidiaries are entities over which the Group has power to control the financial and operating policies so as to obtain benefits from 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 statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with Group accounting policies.

Transactions between Group companies are eliminated on consolidation.

**vi. Revenue**

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

**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	25.0%	Reducing balance
Computer equipment	25.0%	Straight line
Office equipment	12.5%	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 statement of financial position date.

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

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

**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", a component of equity. 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 the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

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

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

Trade receivables subject to the invoice discounting facility are recognised in the statement of financial position until

they are settled by the customer. The Group is responsible for collection of trade receivables and undertakes the risk and rewards 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 statement of financial position 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 statement of financial position date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

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

**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 statement of financial position date are discussed below. These are included for completeness, although it is the Directors' view that none of these have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

#### **Employee benefits**

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

#### **xxii. Accounting for group share-based payment arrangements**

The Company is the granting and settling entity in a group share based payment arrangement where share options are granted to employees of its subsidiary companies. Historically no entries in relation to this arrangement had been made in the Company's separate financial statements and all entries in relation to this arrangement were made in the subsidiary financial statements. During the year it was identified that this treatment was in error under IFRS 2.43C and a change in the accounting for share based payments has been made retrospectively as required by IAS 8.

The following table summarises the effect on the statement of financial position:

	<b>Investments</b> £'000	<b>Share-based payment reserve</b> £'000	<b>Retained earnings</b> £'000
At 1 August 2009 as previously stated	272	-	65
Adjustments at 1 August 2009	550	550	-
At 1 August 2009 as restated	822	550	65
At 31 July 2010 as previously stated	290	-	66
Effect of adjustments at 1 August 2009	550	550	-
Adjustments at 31 July 2010	(145)	(84)	(61)
At 31 July 2010 as restated	695	466	5

This change had no impact on the Company income statement or on the Group financial statements.

## 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

Year ended 31 July 2011

	Engineering	Built Environment	Matchtech UK Information Systems & Technology	Science & Medical	Matchtech UK Total	Germany	Professional Services	elemense	Matchtech Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	138,865	65,429	57,191	6,982	<b>268,467</b>	1,740	19,430	12,169	<b>301,806</b>
Gross profit	10,183	5,254	6,037	1,897	<b>23,371</b>	625	4,281	1,481	<b>29,758</b>
Profit/(loss) from operations	5,391	2,271	2,367	168	<b>10,197</b>	(32)	(2,764)	(582)	<b>6,819</b>
Finance cost, net	(166)	(80)	(70)	(11)	<b>(327)</b>	(28)	(45)	(31)	<b>(431)</b>
Profit/(loss) before tax	5,225	2,191	2,297	157	<b>9,870</b>	(60)	(2,809)	(613)	<b>6,388</b>
Depreciation and amortisation	113	87	97	49	<b>346</b>	8	111	51	<b>516</b>
Segment net assets	28,342	11,366	10,559	1,509	<b>51,776</b>	654	1,534	1,769	<b>55,733</b>
Unallocated net liabilities									<b>(30,679)</b>
Total net assets									<b>25,054</b>

Year ended 31 July 2010

	Engineering	Built Environment	Matchtech UK Information Systems & Technology	Science & Medical	Matchtech UK Total	Germany	Professional Services	elemense	Matchtech Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	119,006	63,000	45,600	6,700	<b>234,306</b>	440	18,352	11,333	<b>264,431</b>
Gross profit	9,732	5,152	4,753	1,475	<b>21,112</b>	165	3,080	1,800	<b>26,157</b>
Profit/(loss) from operations	4,541	2,200	1,500	600	<b>8,841</b>	(378)	269	85	<b>8,817</b>
Finance cost, net	(97)	(51)	(48)	(15)	<b>(211)</b>	(7)	(5)	(19)	<b>(242)</b>
Profit/(loss) before tax	4,444	2,149	1,452	585	<b>8,630</b>	(385)	264	66	<b>8,575</b>
Depreciation and amortisation	245	121	85	34	<b>485</b>	-	16	3	<b>504</b>
Segment net assets	18,257	9,665	6,996	1,028	<b>35,946</b>	171	2,768	1,630	<b>40,515</b>
Unallocated net liabilities									<b>(16,843)</b>
Total net assets									<b>23,672</b>

Two operating segments Barclay Meade Limited and Alderwood Education Limited have been aggregated into the Professional Services segment above. Central overhead costs are allocated across all segments and are included in the analysis above.

The comparator analysis above for the year to 31 July 2010 is representative of the new structure implemented on 1 August 2010, when the new brands commenced trading. The comparator information for Professional Services and elemense were previously included within Matchtech Group UK Limited.

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

### **Geographical information**

<i>All amounts in £'000</i>	<b>United Kingdom</b>		<b>Germany</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue	<b>300,066</b>	263,991	<b>1,740</b>	440	<b>301,806</b>	264,431
Gross profit	<b>29,133</b>	25,992	<b>625</b>	165	<b>29,758</b>	26,157
Profit/(loss)from operations	<b>6,827</b>	9,195	<b>(8)</b>	(378)	<b>6,819</b>	8,817
Finance cost, net	<b>(396)</b>	(235)	<b>(35)</b>	(7)	<b>(431)</b>	(242)
Profit before tax	<b>6,431</b>	8,960	<b>(43)</b>	(385)	<b>6,388</b>	8,575
Depreciation and amortisation	<b>516</b>	504	-	-	<b>516</b>	504
Non-current assets	<b>1,815</b>	1,852	<b>9</b>	5	<b>1,824</b>	1,857
Net current assets / (liabilities)	<b>23,654</b>	21,726	<b>(424)</b>	89	<b>23,230</b>	21,815
Total net assets / (liabilities)	<b>25,469</b>	23,578	<b>(415)</b>	94	<b>25,054</b>	23,672

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 £35,598,000 (2010: £36,179,000) 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.

### 3. PROFIT FROM OPERATIONS

Profit from operations is stated after charging / (crediting):

	2011	2010
	£'000	£'000
Depreciation	466	441
Amortisation	50	63
Loss / (profit) on disposal of property, plant and equipment	8	(4)
Auditors' remuneration		
- Fees payable for the audit of the Parent Company financial statements	10	-
- Fees payable for the audit of the Subsidiary company financial statements	40	-
Previous auditors' remuneration		
- Fees payable for the audit of the Parent Company financial statements	9	15
- Fees payable for the audit of the Subsidiary company financial statements	-	25
- Non audit services: taxation	3	5
other services pursuant to legislation	-	13
Operating lease costs:		
- Plant and machinery	105	6
- Land and buildings	700	517
Share-based payment charge / (credit)	288	(145)
Net (profit) / loss on foreign currency translation	(32)	30

### 4. PARTICULARS OF EMPLOYEES

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

	2011	2010
	No.	No.
Selling	248	204
Administration	73	66
Directors	6	6
<b>Total</b>	<b>327</b>	<b>276</b>

The aggregate payroll costs of the above were:

	2011	2010
	£'000	£'000
Wages and salaries	13,782	10,296
Social security costs	1,598	1,142
Pension costs	899	786
<b>Total</b>	<b>16,279</b>	<b>12,224</b>

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 2011.

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Short term employee benefits	<b>1,056</b>	927
Post employment benefits	<b>115</b>	163
Share-based payments	<b>26</b>	(45)
<b>Total</b>	<b>1,197</b>	1,045

## 5. FINANCE COSTS

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest payable	<b>461</b>	248

## 6. DIVIDENDS

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Equity dividends paid during the year at 15.6 pence per share (2010: 15.6p)	<b>3,646</b>	3,633
Equity dividends proposed after the year-end (not recognised as a liability) at 10.6 pence per share (2010: 10.6p)	<b>2,479</b>	2,474

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

## 7. PARENT COMPANY PROFIT

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
The amount of profit dealt with in the accounts of the Company is:	<b>4,532</b>	3,634

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

		2011	2010
		£'000	£'000
Current Tax:	UK corporation tax	1,699	2,436
	Prior year under provision	19	16
		<b>1,718</b>	<b>2,452</b>
Deferred tax (note 12)		<b>(64)</b>	<b>(16)</b>
<b>Income tax expense</b>		<b>1,654</b>	<b>2,436</b>

The main rate of UK corporation tax was changed from 28% to 27% with effect from 1 April 2011, therefore UK corporation tax has been charged at 27.3% (2010: 28%) being the blended corporation tax rate during the year.

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

	2011	2010
	£'000	£'000
Profit before tax	6,388	8,575
Profit before tax multiplied by the standard rate of corporation tax in the UK of 27.3% (2010: 28%)	1,744	2,401
Expenses not deductible / (not chargeable) for tax purposes	29	(24)
Temporary differences	(113)	-
Enhanced R&D tax relief	(49)	(54)
Adjustments to tax charge in respect of previous periods	19	16
Change in deferred tax on share options	11	-
Overseas losses not provided for	13	97
<b>Total tax charge for period</b>	<b>1,654</b>	<b>2,436</b>

Tax credit recognised directly in equity:

	2011	2010
	£'000	£'000
Deferred tax recognised directly in equity	5	4
<b>Total tax recognised directly in equity</b>	<b>5</b>	<b>4</b>

### *Future tax rate changes*

On 23 March 2011 the Chancellor announced a reduction in the main rate of UK corporation tax to 25% with effect from 1 April 2012. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction has been reflected in the figures above as it was substantively enacted prior to the statement of financial position date.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted. It has not yet been possible to quantify the full anticipated effect of this further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax assets and liabilities accordingly.

## 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:

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Profit after tax attributable to ordinary shareholders	<b>4,734</b>	6,139

  

	<b>2011</b>	<b>2010</b>
	<b>'000s</b>	<b>'000s</b>
Weighted average number of ordinary shares in issue	<b>23,370</b>	23,296
Effect of dilutive potential ordinary shares	<b>612</b>	349
<b>Total</b>	<b>23,982</b>	23,645

  

		<b>2011</b>	<b>2010</b>
		<b>pence</b>	<b>pence</b>
Earnings per ordinary share	- basic	<b>20.26</b>	26.35
	- diluted	<b>19.74</b>	25.96

## 10. INTANGIBLE ASSETS

### Group

		Software Licences £'000
<b>COST</b>	At 1 August 2009	312
	Additions	23
	At 1 August 2010	335
	Additions	45
	<b>At 31 July 2011</b>	<b>380</b>
<b>AMORTISATION</b>	At 1 August 2009	161
	Charge for the year	63
	At 1 August 2010	224
	Charge for the year	50
	<b>At 31 July 2011</b>	<b>274</b>
<b>NET BOOK VALUE</b>	At 31 July 2010	111
	<b>At 31 July 2011</b>	<b>106</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

### Group

		Motor Vehicles £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
<b>COST</b>	At 1 August 2009	1,855	1,402	635	3,892
	Additions	192	194	147	533
	Disposals	(34)	-	(6)	(40)
	At 1 August 2010	2,013	1,596	776	4,385
	Additions	204	198	82	484
	Disposals	(571)	-	-	(571)
	<b>At 31 July 2011</b>	<b>1,646</b>	<b>1,794</b>	<b>858</b>	<b>4,298</b>
<b>DEPRECIATION</b>	At 1 August 2009	993	936	417	2,346
	Charge for the year	226	93	122	441
	Released on disposal	(28)	-	(1)	(29)
	At 1 August 2010	1,191	1,029	538	2,758
	Charge for the year	221	125	120	466
	Released on disposal	(456)	-	-	(456)
	<b>At 31 July 2011</b>	<b>956</b>	<b>1,154</b>	<b>658</b>	<b>2,768</b>
<b>NET BOOK VALUE</b>	At 31 July 2010	822	567	238	1,627
	<b>At 31 July 2011</b>	<b>690</b>	<b>640</b>	<b>200</b>	<b>1,530</b>

There were no capital commitments as at 31 July 2011 or 31 July 2010.

## 12. DEFERRED TAX

The deferred tax asset is represented by:

	Group	
	2011	2010
	£'000	£'000
Temporary difference on share-based payments		
At 1 August	119	99
Recognised in income	64	16
Recognised in equity	5	4
<b>At 31 July</b>	<b>188</b>	<b>119</b>

The rate of UK corporation tax applied to deferred tax calculations is 25% (2010: 27%).

## 13. INVESTMENTS

	Company	
	2011	2010
	£'000	£'000
Investment in Group companies at 1 August as originally stated	695	272
Impact of restatement (see note 1xxii)	-	550
Investment in Group companies at 1 August as restated	695	822
Movement in investment in Group companies – Investment in Matchtech Group UK Limited	288	(145)
Movement in investment in Group companies - Investment in Matchtech BV on incorporation	-	18
<b>Investment in Group companies at 31 July</b>	<b>983</b>	<b>695</b>

Due to the change in accounting for group share-based payment arrangements, the comparative figures have been restated, see note 1xxii for further details.

### 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
Matchtech Engineering Inc.	USA	Ordinary	100%	Provision of recruitment consultancy

#### 14. TRADE AND OTHER RECEIVABLES

	Group		Company		
	2011	2010	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Trade receivables	55,733	40,515	-	-	-
Amounts owed by Group companies	-	-	3,878	2,991	2,989
Other receivables	57	129	-	-	-
Prepayments	662	394	-	-	-
<b>Total</b>	<b>56,452</b>	<b>41,038</b>	<b>3,878</b>	<b>2,991</b>	<b>2,989</b>

The amount due from Group undertakings in the Company statement of financial position is considered to approximate to fair value.

Days sales outstanding at the year end based upon the preceding three months' revenue were 52.9 days (2010: 47.2 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of debts.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £7,561,000 (2010: £1,664,000) 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 aging issues.

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

Aging of past due but not impaired trade receivables:

	Group	
	2011	2010
	£'000	£'000
0-30 days	5,977	1,494
30-60 days	925	170
60-90 days	345	-
90+ days	314	-
<b>Total</b>	<b>7,561</b>	<b>1,664</b>

Movement in the allowance for doubtful debts:

	Group	
	2011	2010
	£'000	£'000
At 1 August	348	360
Provisions reversed during the year	(147)	(12)
<b>At 31 July</b>	<b>201</b>	<b>348</b>

Aging of impaired trade receivables:

	Group	
	2011	2010
	£'000	£'000
Not past due at reporting date	-	182
0-30 days	-	83
30-60 days	15	2
60-90 days	19	55
90+ days	167	26
<b>Total</b>	<b>201</b>	<b>348</b>

#### 15. TRADE AND OTHER PAYABLES

	Group	
	2011	2010
	£'000	£'000
Trade payables	339	294
Taxation and social security	5,606	4,150
Other payables	7,056	6,116
Accruals and deferred income	3,576	3,142
<b>Total</b>	<b>16,577</b>	<b>13,702</b>

#### 16. FINANCIAL ASSETS AND LIABILITIES STATEMENT OF FINANCIAL POSITION CLASSIFICATION

The carrying amount of the Group's financial assets and liabilities as recognised on 31 July of the reporting periods under review may also be categorised as follows:

Financial assets are included in the statement of financial position within the following headings:

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade and other receivables				
- Loan and receivables	55,790	40,644	3,878	2,991
Cash and cash equivalents				
- Loan and receivables	475	272	144	116
<b>Total</b>	<b>56,265</b>	<b>40,916</b>	<b>4,022</b>	<b>3,107</b>

Financial liabilities are included in the statement of financial position within the following headings:

	Group	
	2011	2010
	£'000	£'000
<b>Current liabilities</b>		
Borrowings		
- Financial liabilities recorded at amortised cost	16,430	4,783
Trade and other payables		
- Financial liabilities recorded at amortised cost	10,971	9,552
<b>Total</b>	<b>27,401</b>	<b>14,335</b>

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 the Group. The facility held with Barclays Bank allows the Company to borrow up to 90% of its invoiced debtors up to a maximum of £35 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 2011 the Group had commitments to pay the following amounts under non-cancellable operating leases as set out below:

		Group	
		2011	2010
		£'000	£'000
<b>Land/buildings</b>	Payments falling due: within 1 year	820	580
	within 1 to 5 years	2,976	2,202
	after 5 years	320	1,016
<b>Other</b>	Payments falling due: within 1 year	145	43
	within 1 to 5 years	174	61

## 18. SHARE CAPITAL

### Authorised share capital

	Company		
	2011	2010	2009
	£'000	£'000	£'000
40,000,000 Ordinary shares of £0.01 each	400	400	400

### Allotted, called up and fully paid:

	Company		
	2011	2010	2009
	£'000	£'000	£'000
23,387,000 (2009: 23,340,000) Ordinary shares of £0.01 each	234	233	232

The number of shares in issue in the Company increased as follows:

<b>Date</b>	<b>Ordinary shares issued</b>	<b>Share premium received pence per share</b>	<b>Consideration received £</b>
<b>At 1 August 2009</b>	<b>23,272,980</b>		
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
<b>At 31 July 2010</b>	<b>23,339,676</b>		<b>53,116</b>
04/08/2010	18,349	145	26,790
04/08/2010	440	-	4
01/09/2010	208	-	2
04/10/2010	2,460	-	25
03/11/2010	2,055	-	21
01/12/2010	1,839	-	18
20/01/2011	1,959	-	20
11/01/2011	991	145	1,447
02/03/2011	4,928	-	49
09/03/2011	2,076	-	21
30/03/2011	1,765	69	1,236
30/03/2011	143	88	127
05/04/2011	3,045	-	30
05/05/2011	1,843	-	18
01/06/2011	3,077	-	31
01/07/2011	2,203	-	22
<b>At 31 July 2011</b>	<b>23,387,057</b>		<b>82,977</b>

## Share Options

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

	2011	2010	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	87	106	01/12/2005	146	01/06/2007	01/12/2015
Target/Loyalty Share Options	2	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	18	19	01/12/2005	146	01/12/2006	01/12/2015
Long Term Incentive Plan Options	-	144	18/01/2010	1	18/01/2013	18/01/2020
Deferred Share Bonus	35	36	18/01/2010	1	18/01/2012	18/01/2020
Deferred Share Bonus	35	36	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	30	37	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Option Bonus	30	37	18/01/2010	1	18/01/2013	18/01/2020
Long Term Incentive Plan Options	81	-	04/02/2011	1	03/02/2014	02/02/2021
Zero Priced Share Option Bonus	173	-	04/02/2011	1	25/01/2013	02/02/2021
Zero Priced Share Option Bonus	173	-	04/02/2011	1	03/02/2014	02/02/2021
<b>At 31 July</b>	<b>691</b>	<b>445</b>				

During the year the Group operated a Long Term Incentive Plan (LTIP) and a Deferred Share Bonus Plan for Executive Directors and a Zero Priced Share Option Bonus for key staff. The LTIP options were granted on 4 February 2011 and are subject to an EPS performance target with a TSR (Total Shareholder Return) underpin. The deferred share bonus option entitlements were granted on 4 February 2011, however, all the entitlements lapsed in the year due to performance falling below the minimum threshold. The Zero Priced Share Options were granted on 4 February to members of staff subject to two and three year holding periods.

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

The movement in share options is shown below:

	2011			2010		
	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	445	75.6	-	1,056	75.6	-
Granted	550	1.0	-	300	1.0	-
Forfeited / lapsed	(283)	1.0	-	(875)	3.1	-
Exercised	(21)	139.3	216.0	(36)	146.0	222.1
<b>Outstanding at 31 July</b>	<b>691</b>	<b>26.0</b>		<b>445</b>	<b>75.6</b>	
<b>Exercisable at 31 July</b>	<b>134</b>	<b>129.8</b>		<b>155</b>	<b>131.5</b>	

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	2011			2010		
	Weighted average remaining contract life	Number	Weighted average exercise price	Weighted average remaining contract life	Number	Weighted average exercise price
	(months)	'000s	(pence)	(months)	'000s	(pence)
18/01/2012	6	65	1.0	18	73	1.0
18/01/2013	18	65	1.0	30	217	1.0
25/01/2013	18	173	1.0	-	-	-
03/02/2014	31	254	1.0	-	-	-
<b>Total vesting in the future</b>		<b>557</b>			<b>290</b>	

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 values of the Zero price options granted in the year were calculated using a Black Scholes method along with the assumptions as detailed below. The fair values of the SIPs and Deferred Bonus Shares were based upon market values on the date of the grant adjusted for the assumptions as detailed below.

Date of grant		Share price on the date of grant	Exercise price	Volatility	Vesting period	Dividend yield	Risk free rate of interest	Fair value
		(£)	(£)	(%)	(yrs)	(%)	(%)	(£)
04/08/2010	SIP	2.15	0.01	N/A	3.00	N/A	N/A	2.15
01/09/2010	SIP	1.92	0.01	N/A	3.00	N/A	N/A	1.92
04/10/2010	SIP	1.95	0.01	N/A	3.00	N/A	N/A	1.95
03/11/2010	SIP	2.19	0.01	N/A	3.00	N/A	N/A	2.19
01/12/2010	SIP	2.27	0.01	N/A	3.00	N/A	N/A	2.27
20/01/2011	SIP	2.38	0.01	N/A	3.00	N/A	N/A	2.38
02/03/2011	SIP	2.20	0.01	N/A	3.00	N/A	N/A	2.20
04/02/2011	LTIP	2.17	0.01	0%	3.00	7.2%	2.0%	2.17
04/02/2011	Deferred bonus	2.17	0.01	N/A	2.00	7.2%	N/A	2.17
04/02/2011	Deferred bonus	2.17	0.01	N/A	3.00	7.2%	N/A	2.17
04/02/2011	Zero price bonus	2.17	0.01	24.1%	2.00	7.2%	1.5%	2.17
04/02/2011	Zero price bonus	2.17	0.01	22.5%	3.00	7.2%	1.9%	2.17
09/03/2011	SIP	2.20	0.01	N/A	3.00	N/A	N/A	2.20
05/04/2011	SIP	2.17	0.01	N/A	3.00	N/A	N/A	2.17
05/05/2011	SIP	2.04	0.01	N/A	3.00	N/A	N/A	2.04
01/06/2011	SIP	2.17	0.01	N/A	3.00	N/A	N/A	2.17
01/07/2011	SIP	2.18	0.01	N/A	3.00	N/A	N/A	2.18

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.

## 19. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

During the year the Group made sales of £20,000 (2010: £14,000) to Ctruk Group Limited and £14,000 (2010: £nil) to Cwind Limited, both related parties by virtue of the common directorship of Andy White. There were no balances outstanding from Ctruk Group Limited or Cwind Limited 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 (2010: £284,000) for provision of management services.

Further details of transactions with directors are included in the Directors' Remuneration Report in the annual report.

## 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 2011 was as follows:

	Group	
	2011	2010
	£'000	£'000
In less than one year or on demand:		
Bank overdrafts	172	66
Working capital facility	16,258	4,717
Bank loans and overdrafts	16,430	4,783
Trade and other payables	10,971	9,552
<b>Total</b>	<b>27,401</b>	<b>14,335</b>

### 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 2011, in respect of which all conditions precedent had been met, was as follows:

	Group	
	2011	2010
	£'000	£'000
Expiring in one year or less	18,742	20,283

The working capital facility was reviewed by the facility providers in July 2011. The facility cap was increased from £25m to £35m and covenants were updated to reflect revised forecasts. The facility is committed until April 2013.

The Directors have calculated that the effect on profit of a 1% movement in interest rates would be £149,000.

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

### Net foreign currency monetary assets

	Group	
	2011	2010
	£'000	£'000
Euros	939	131

In the Directors' opinion, the exposure to foreign currency risk is not material to the Group due to the size of the operations and 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 statement of financial position.

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

	Group	
	2011	2010
	£'000	£'000
Total equity	25,054	23,672
Cash and cash equivalents	(475)	(272)
Capital	24,579	23,400
Total equity	25,054	23,672
Borrowings	16,430	4,783
Overall financing	41,484	28,455
Capital to overall financing ratio	59%	82%

## 22. SUBSEQUENT EVENTS

On 3 August 2011, Richard Bradford was appointed as a Non-Executive director of Matchtech Group plc.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 July 2011 or 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the registrar of companies, and those for 2011 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information presented on this web site does not comprise the statutory accounts of Matchtech Group plc for the financial years ended 31 July 2011 and 31 July 2010 but represents extracts from them. These extracts do not provide as full an understanding of the financial performance and position, or financial and investing activities, of the company as the complete Annual Report.

The statutory accounts for those years have been reported on by the company's auditor and delivered to the registrar of companies. The reports of the auditor were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The Annual Report, including the auditor's report, can be obtained free of charge on request to the company at Matchtech Group plc, 1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AF, or, alternatively, can be downloaded at [www.matchtechgroupplc.com](http://www.matchtechgroupplc.com).