

14 October 2008

**Matchtech Group plc**  
**Preliminary Results for the year ended 31 July 2008**

Matchtech Group plc ("Matchtech" or the "Group"), one of the UK's leading specialist technical recruitment companies, is pleased to announce its Preliminary Results for the year ended 31 July 2008.

**Financial Highlights**

• Revenue £258.8m (2007: £202.8m)*	up 28%
• Net fee income (Gross Profit) £33.2m (2007: £26.9m)*	up 23%
• Operating profit £13.8m (2007: £11.3m)*	up 22%
• Adjusted Profit Before Tax (before non-recurring items) £12.8m (2007: £10.5m) *	up 22%
• Reported Profit Before Tax (after non-recurring items) £12.8m (2007: £9.9m)	up 29%
• Adjusted Basic EPS (before non-recurring items) 39.34p (2007: 32.42p) *	up 21%
• Reported Basic EPS (after non-recurring items) 39.34p (2007: 30.16p)	up 30%
• Total dividend for year of 15.6 pence per share (2007: 13.7 pence). Dividend cover of 2.5 times.	up 14%
• Cash flow from operating activities £14.9m (2007: £8.1m)	up 84%
• Net debt reduced by £6.7m to £3.1m, with gearing at just 18.1%	

\*2007 results exclude sales and profits from the US business sold on 31 August 2006 as well as the non-recurring costs of the IPO.

The financial statements have been prepared under International Financial Reporting standards; see IFRs below..

**Operating Highlights**

- Substantial organic growth across every sector
- Strong growth throughout the year - Net fee income growth H1 up 22%, H2 up 24%
- Healthy balance of Contingency, Preferred and Master Vendor business
- Maintained good net fee income mix – contract 67%, permanent 33%
- Permanent fees up 28%, permanent placements up 31%
- Contract net fee income up 21% and number of contractors working at the year end up 11%
- Sales force headcount increased by 26%

**Current Trading and Proposed Share Buybacks**

- Net fee income in the first two months of the current financial year up 13%. Contractors working at the end of September were 4,595, up 5% since end July.
- Seeking shareholder approval at the forthcoming AGM for buybacks of up to 10% of share capital

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

"Our strong second half performance maintained our momentum and ensured that we built on our track record of sustained organic growth. We have delivered record turnover in the year converting into record profits across every sector of the business.

"This excellent performance has strengthened our position as the UK's biggest single-site recruitment agency and we have continued to build on our already strong presence in our core industry sectors.

"The clients and sectors that we serve continue to exhibit strong structural growth characteristics. We are involved in the recruitment process throughout a project's life-cycle from the initial design and conception phase, through the construction and implementation stages and finally to the delivery and maintenance of the asset or infrastructure. Many of these projects, such as the construction of the two new Aircraft Carriers for the Royal Navy which are due in service in 2014 and 2015, and the construction of the Olympic site, due in 2012, operate on long life cycles and are not materially impacted by the current financial turmoil. Moreover we have a highly diversified and expanding customer base, which provides further opportunities for growth and adds an additional element of protection to our business.

“The technical markets continue to suffer from skills shortages, which, in turn, create demand for qualified candidates despite the macro economic turbulence. By providing high levels of service across the entire UK from our single site location, we are gaining new clients and winning business from our competitors.

“Our clear defensive strategy of pursuing organic growth in our well established areas through working with our highly diversified client base is working and offers scope for further growth. Whilst there will be competitive and market challenges ahead, we are well positioned, with the flexibility offered by our single site, to respond quickly and effectively to any deterioration in market conditions.

“Overall trading in the first two months of the current year has been good, with net fee income up 13% on the same period last year and contractor numbers up 5% since the end of July. We are determined and consistent at what we do and believe we can deliver another successful year.”

**For further information please contact:**

**Matchtech Group plc**

George Materna, Chairman  
Adrian Gunn, Group Managing Director  
Tony Dyer, Group Finance Director

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**IFRS**

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards ('IFRS') as adopted by the European Union (EU) and which are effective at 31 July 2008, our first annual reporting date at which we are required to use IFRS accounting standards as adopted by the EU.

Matchtech Group plc's consolidated and company financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 July 2007. The date of transition to IFRS was 1 August 2006. The comparative figures in respect of 2007 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in note 2 to the financial statements.

**Background on Matchtech**

Matchtech specialises in the provision of contract and permanent staff in the Engineering, Built Environment and Support Services sectors across the UK.

It was established in 1984 and has grown organically to become the UK's 2nd largest technical recruitment specialist and the UK's 17<sup>th</sup> largest recruitment company (Source: Recruitment International Top 100 Report - 2008).

Operating from a single site near Southampton, Matchtech provides predominantly professionally-qualified candidates to clients in a broad range of industries including oil and petrochemicals, pharmaceutical, marine, aerospace, automotive, water, electronics, civil engineering, building structures and transport infrastructure.

## **Group Chairman's Statement**

This has been another excellent year for Matchtech. Our strong second half performance maintained our momentum and ensured that we built on our track record of sustained organic growth. We have delivered record turnover in the year converting into record profits across every sector of the business.

For comparison purposes 2007 results exclude the sales and profits from the US business sold on 31 August 2006 as well as the non-recurring costs of admission to AIM.

Turnover was £258.8 million, up 28% on 2007, with net fee income (gross profit) of £33.2 million up 23%.

Operating profit and profit before tax were both up 22% to £13.8 million and £12.8 million respectively, with the First Half profit before tax up 21% and the Second Half up 22%. Adjusted basic earnings per share increased to 39.3 pence, up 21%.

This excellent performance has strengthened our position as the UK's biggest single-site recruitment agency and we have continued to build on our strong presence in our core industry sectors.

The Board has a progressive dividend policy and I am pleased to confirm a proposed final dividend for the year of 10.6 pence per share, which when added to the interim dividend of 5.0 pence per share, makes a total dividend for the year of 15.6 pence per share, a 14% increase on last year. The final dividend, if approved by shareholders at the Annual General Meeting to be held on 21 November 2008 will be payable on 5 December 2008 to shareholders on the register on 7 November 2008.

Cash generation has again been strong and our net debt has fallen to £3.1m on 31 July 2008 from £9.8m at the 31 July 2007.

The recruitment and retention of our high quality staff, at all levels and in all areas, along with the ability to align their interests with shareholders and to provide the best service and results possible is essential for sustained organic growth. There is a high performance culture across the group created by the enthusiasm, the dedication, the professionalism and the desire to succeed of all our staff.

This is a people business and our people have shown a commitment to clients, candidates and contractors that gives a significant competitive advantage. On behalf of the Board, I would like to thank the whole of the Matchtech team for their continued commitment and hard work.

The clients and sectors that we serve continue to exhibit strong structural growth characteristics. We are involved in the recruitment process throughout a project's life-cycle from the initial design and conception phase, through the construction and implementation stages and finally to the delivery and maintenance of the asset or infrastructure. Many of these projects, such as the construction of the two new Aircraft Carriers for the Royal Navy which are due in service in 2014 and 2015, and the construction of the Olympic site, due in 2012, operate on long life cycles and are not materially impacted by the current financial turmoil. Moreover we have a highly diversified and expanding customer base, which provides further opportunities for growth and adds an additional element of protection to our business.

The technical markets continue to suffer from skills shortages, which, in turn, create demand for qualified candidates despite the macro-economic turbulence. By providing high levels of service across the entire UK from our single site location, we are gaining new clients and winning business from our competitors.

Our clear defensive strategy of pursuing organic growth in our well established areas through working with our highly diversified client base is working and offers scope for further growth. Whilst there will be competitive and market challenges ahead, we are well positioned, with the flexibility offered by our single site, to respond quickly and effectively to deterioration in market conditions.

Overall trading in the first two months of the current year has been good, with net fee income up 13% on the same period last year and contractor numbers up 5% since the end of July. We are determined and consistent at what we do and believe we can deliver another successful year.

**George Materna FREC FCIPD**

## Group Managing Director's Report

Matchtech has continued to deliver consistent growth in both the First and Second Half of the year despite a slowing UK economy. This is testament to the structure and strength of the business, the markets in which we operate and the high quality of our staff and management.

In a period when the growth of the UK economy has slowed, Matchtech has continued to grow in excess of 20%. We are pleased to report that our results have produced pre-tax profits of £12.8m compared to £10.5m (excluding non-recurring items) in 2007, up 22%.

Our business mix was essentially unchanged. We remain a contract led organisation; contract recruitment accounts for 67% of the Company's net fee income and permanent recruitment 33%. Both areas continue to show good growth, with contract recruitment up 22% and permanent up 28%. Most pleasingly, this growth has been consistent in both H1 and H2.

We have again demonstrated our ability to grow organically across all three of our sectors. Long term publicly funded projects, continuing skills shortages of highly technical candidates and a strategy of expanding our geographical reach within the UK aided growth within our Engineering and the Built Environment sectors.

In our Support Service Sector our strategy of expanding the range of skill types placed has taken us into new markets and diversified our client base.

We continued to deliver a healthy mix of contract and permanent business supplying our clients on a Contingency, Preferred Supplier and Managed Agency basis.

Our top 50 clients generated 54% (2007: 50%) of our net fee income. Babcock International, VT Group and Mouchel Group are our largest three clients, each generating around 4% of our net fee income. The highlight of the year was the re-signing of a 5 year contract with Babcock International and extending the VT Group Managed Service Provider contract for a further three years. The largest new contract win in the period was the contract with Ricardo, which is our first Master Vendor win in the Automotive sector.

We have delivered net fee income growth from our strategy of up-selling services with existing clients. This, along with a competitive marketplace, has put a slight downward pressure on our percentage margins which reduced to 12.8% from 13.3% in 2007.

Quality candidates remain in short supply but we have demonstrated our ability to source and place the best. This year we have placed 2,868 candidates into permanent positions, 31% up on 2007's 2,192 and we have filled over 6,800 contract/temporary assignments, up 8% on 2007's 6,300. Contractor care continues to be high on our agenda. This is demonstrated by our stance of continuing to pay our contractors and consultancies weekly. Internal service levels agreements are in place to ensure the contractor receives a high level of service from our consultants and our support staff.

I would like to thank all contractors and consultancies that have worked with Matchtech this year. With the quality service they deliver we are able to foster and maintain strong relationships with our clients.

We increased headcount in all three sectors to keep up with growth, especially within Support Services. Total numbers have risen from 245 to 296 staff, up 21% and sales force from 166 to 209 staff, up 26%.

This strong investment in increased headcount and slight change in business mix between contract and permanent recruitment has reduced our NFI conversion marginally to 41.6% (2007:42.0%). However, we aim to see the benefits from our staff investment next year together with increased staff productivity through training and development geared around service delivery.

The Group's remuneration strategy for sales consultants remains strongly biased towards variable over fixed remuneration, encouraging staff to over perform.

Our leading edge IT technology continued to deliver operational efficiency and our proven single site strategy ensured our cost base remained under control.

We have further strengthened our business continuity strategy by achieving the new BS25999 Business Continuity standard and as such became the first UK recruitment company to obtain this certification.

Once again our experienced management team and high quality staff have produced another set of excellent results demonstrating their ability to perform in a less buoyant environment. I would like to thank all our staff for their hard work.

Their industry knowledge has ensured we are involved at the early stages of new business development opportunities and their ability to coach and mentor new staff is driving each sector's future growth plans.

We have demonstrated our ability to grow in demanding economic times. Our responsive service delivery model has won contingency business from our competitors and our Managed Service offering has developed an enviable reputation within the industry.

Our growth strategy remains unchanged along with our ability to maintain a low flexible cost base.

Our business development pipeline remains healthy and the management team will be working hard to increase the number of Managed Agency accounts as well as increasing the revenue generated by our existing accounts.

Finally we believe there has been little change in the long term growth drivers in the Engineering and Built Environment sectors and are committed to our strategy to diversify our Support Services sector.

We have a seasoned management team and our single site strategy means we are well positioned to respond quickly and effectively in the event of a weakening in market demand. This gives us confidence in uncertain economic times that Matchtech is well placed to continue to deliver solid performance in the future.

## **Adrian Gunn FREC**

### **Group Finance Director's Review**

This year Matchtech has again delivered consistent growth across all our sectors and the conversion to International Financial Reporting Standard's ("IFRS") has had minimal impact on our reported results.

#### *International Reporting Standards ("IFRS")*

The Financial Statements for year ending 31 July 2008 are the first set of annual results prepared under IFRS. The transitional arrangements are detailed in Note 2 to the accounts on page 28.

The principle impact of the conversion relates to IAS12 Income Taxes, where the provision for the full potential future tax deduction in respect of share options resulted in an increase in the deferred tax asset recognised by £0.4m and the requirement to take to equity the excess tax effect of gains and losses on the exercise of share options in the period over and above the previously expensed share options cost under IFRS 2. The impact is a £0.8m increase in 2007 income tax expense and a resultant £0.8m decrease in profits after tax for that period. Consequently the comparative fully diluted EPS of continuing operations is 29.43p which was previously reported as 32.66p under UK GAAP. The two other areas affected are IAS 17 Leases and IAS 19 Employee Benefits; neither materially affects the results.

#### *Group non-recurring items*

For comparison purposes we have excluded from the 2007 results the non-recurring items of the sales and profits of the US business sold on 31st August 2006 of £0.07m as well as the nonrecurring costs of the admission to AIM of £0.6m.

#### *Group Income Statement*

Matchtech has continued to build on its resilient business model, once again posting record results.

With all sectors showing growth on last year turnover increased 28% to £258.8m (2007: £202.8m).

Net fee income increased 23% to £33.2m (2007:£26.9m) reflecting a slight fall in our gross profit margin to 12.8% (2007: 13.3%).

A strong permanent marketplace in the sectors in which we operate has resulted in faster growth in permanent fees than contract net fee income and a slight shift in mix, with 67% (2007: 69%) of net fee income derived from recurring contract income and 33% (2007: 31%) from permanent placements. We continue, however, to be a contract led business, maintaining a healthy balance between contract and permanent business.

Investment in new staff slightly impacted the net fee income conversion to operating profit which was 41.6% (2007: 42.0%).

Operating profit rose by 22% to £13.8m (2007: £11.3m). Profit before tax also rose by 22% to £12.8m (2007: £10.5m).

Profit after tax of £9.1m was up 25% (2007: £7.3m).

#### *Group Earnings Per Share*

Basic Earnings Per Share were up 30.4% to 39.34p (2007: 30.16p) and Diluted Earnings Per Share up by 30.0% to 38.25p (2007: 29.43p).

Excluding the non-recurring items in 2007, underlying Basic and Diluted Earnings Per Share were up 21.3% and 20.9% respectively.

#### *Group Dividends*

The Board has proposed a final dividend for the year of 10.6 pence per share, payable on 5 December 2008 to those shareholders registered on 7 November 2008. This makes a total dividend for the year of 15.6 pence per share (2007: 13.7 pence per share), up 14%.

#### *Group Balance Sheet*

Group net assets stood at £17.1m (2007: £10.8m). Net debt fell by £6.7m to £3.1m (2007: £9.8m) and debtor days fell by 3.3 days to 40.1 days (2007: 43.4 days). At 31 July 2008 £0.3m (2007: £0.3m) of the debtor book of £38.3m was greater than 90 days overdue, less than 0.8%.

#### *Group Financing and Cashflow*

The Group operates a Confidential Invoice Discounting facility with Barclays Bank plc. The facility ceiling currently stands at the lower of £20m or 90 per cent. of qualifying invoiced debtors.

On 27 May 2008, the Group entered into a £7.5m Revolver Credit facility with Barclays Bank plc. The Revolver Credit facility replaced the previously held £5m three year loan with Barclays Bank and on 31 July 2008 Matchtech repaid the entire balance on the £5m loan.

At 31 July 2008 the balance on the Confidential Invoice Discounting Facility was £3.3million and the borrowings from the Revolver Credit facility were zero.

The utilisation of all borrowing facilities as at 31 July 2008 was 12%.

The Group continues to be cash generative at an operating level. Operating cash conversion in 2008, as defined by cash generated from operations as a percentage of operating profit, was 108% (2007: 76%).

#### *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 loan and confidential sales ledger financing.

The Group's financial instruments comprise borrowings, cash and various items, such as trade receivable 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 £3.1m at the year end, comprising £3.4m (debt) less £0.3m (cash).

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

As a guide, a 1% increase in interest rates, will cost an approximate £0.1m in additional interest.

The interest rate on the current Confidential Invoice Discounting Facility is linked to Barclays Bank base rate and the Revolver Credit Facility is linked to LIBOR.

Barclays Bank has the right, at any time, to set-off the amount of any liability owed to the bank against any amounts owed by the bank.

- *Credit risk*

The Group seeks to trade 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 has not been significant. There are no significant concentrations of credit risk within the Group, with no debtor as at 31 July 2008 accounting for more than 5% (2007: 7%) of total receivable balances..

- *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 FMCA**

**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31st July 2008

	Note	2008 £'000	2007 £'000
<b>CONTINUING OPERATIONS</b>			
Revenue		258,830	202,779
Cost of Sales		(225,596)	(175,902)
<b>GROSS PROFIT</b>	3	<b>33,234</b>	26,877
Cost of admission to AIM		0	(572)
Other administrative expenses		(19,442)	(15,623)
<b>Total administrative expenses</b>		<b>(19,442)</b>	(16,195)
<b>OPERATING PROFIT</b>	4	<b>13,792</b>	10,682
Finance income		79	20
Finance cost	7	(1,074)	(831)
<b>PROFIT BEFORE TAX</b>		<b>12,797</b>	9,871
Income tax expense	10	(3,705)	(3,162)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	3	<b>9,092</b>	6,709
<b>Discontinued operations</b>			
Profit from discontinued operations	5	0	67
<b>PROFIT FOR THE PERIOD</b>		<b>9,092</b>	6,776

**EARNINGS PER ORDINARY SHARE**

	Note	2008 pence	2007 pence
Basic			
Continuing operations	11	39.34	29.86
Discontinued operations	11	0.00	0.30
<b>Total</b>		<b>39.34</b>	30.16
Diluted			
Continuing operations	11	38.25	29.14
Discontinued operations	11	0.00	0.29
<b>Total</b>		<b>38.25</b>	29.43

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31st July 2008

**A) GROUP**

	Foreign Currency Translation Reserve £'000	Share Capital £'000	Share premium £'000	Other reserve £'000	Share based payment reserve £'000	Retained Earnings £'000	Total £'000
<b>At 1 August 2006</b>	<b>0</b>	<b>221</b>	<b>2,009</b>	<b>229</b>	<b>338</b>	<b>4,884</b>	<b>7,681</b>
Currency translation differences from foreign operations	3	0	0	0	0	0	3
Net income recognised directly in equity	3	0	0	0	0	0	3
Profit for the year	(3)	0	0	0	0	6,776	6,773
Total recognised income/expense for the year	0	0	0	0	0	6,776	6,776
Dividends in the year	0	0	0	0	0	(5,428)	(5,428)
Deferred tax movement re share options	0	0	0	0	0	644	644
IFRS2 credit	0	0	0	0	321	0	321
IFRS2 reserves transfer	0	0	0	0	(273)	273	0
EBT reserve movement	0	0	0	(5)	0	5	0
New share capital	0	9	820	0	0	0	829
	0	9	820	(5)	48	(4,506)	(3,634)
<b>At 31st July 2007</b>	<b>0</b>	<b>230</b>	<b>2,829</b>	<b>224</b>	<b>386</b>	<b>7,154</b>	<b>10,823</b>
<b>At 1 August 2007</b>	<b>0</b>	<b>230</b>	<b>2,829</b>	<b>224</b>	<b>386</b>	<b>7,154</b>	<b>10,823</b>
Profit for the year	0	0	0	0	0	9,092	9,092
Total recognised income/expense for the year	0	0	0	0	0	9,092	9,092
Dividends in the year	0	0	0	0	0	(3,310)	(3,310)
Deferred tax movement re share options	0	0	0	0	0	(296)	(296)
IFRS2 credit	0	0	0	0	539	0	539
IFRS2 reserves transfer	0	0	0	0	(131)	131	0
New share capital	0	2	216	0	0	0	218
	0	2	216	0	408	(3,475)	(2,849)
<b>At 31st July 2008</b>	<b>0</b>	<b>232</b>	<b>3,045</b>	<b>224</b>	<b>794</b>	<b>12,771</b>	<b>17,066</b>

<b>B) COMPANY</b>	<b>Share Capital £'000</b>	<b>Share premium £'000</b>	<b>Retained Earnings £'000</b>	<b>Total £'000</b>
<b>At 1st August 2006</b>	<b>221</b>	<b>2,009</b>	<b>(1,289)</b>	<b>941</b>
Profit for the year	0	0	6,765	<b>6,765</b>
Total recognised income/expense for the year	0	0	6,765	<b>6,765</b>
New share capital	9	820	0	<b>829</b>
Dividends paid in the year	0	0	(5,428)	<b>(5,428)</b>
<b>At 31st July 2007</b>	<b>230</b>	<b>2,829</b>	<b>48</b>	<b>3,107</b>
<b>At 1st August 2007</b>	<b>230</b>	<b>2,829</b>	<b>48</b>	<b>3,107</b>
Profit for the year	0	0	3,321	<b>3,321</b>
Total recognised income/expense for the year	0	0	3,321	<b>3,321</b>
New share capital	2	216	0	<b>218</b>
Dividends paid in the year	0	0	(3,310)	<b>(3,310)</b>
<b>At 31st July 2008</b>	<b>232</b>	<b>3,045</b>	<b>59</b>	<b>3,336</b>

A dividend will be declared from Matchtech Group UK Limited prior to the payment of the proposed dividend outlined in note 8.

**BALANCE SHEETS**  
as at 31st July 2008

	Note	GROUP		COMPANY	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>NON-CURRENT ASSETS</b>					
Intangible assets	12	170	133	0	0
Property, plant and equipment	13	1,809	1,699	0	0
Investments	15	0	0	250	250
Deferred tax asset	14	292	529	0	0
<b>Total Non-Current Assets</b>		<b>2,271</b>	<b>2,361</b>	<b>250</b>	<b>250</b>
<b>CURRENT ASSETS</b>					
Trade and other receivables	16	38,565	31,984	2,880	2,203
Cash and cash equivalents		297	836	211	656
<b>Total Current Assets</b>		<b>38,862</b>	<b>32,820</b>	<b>3,091</b>	<b>2,859</b>
<b>TOTAL ASSETS</b>		<b>41,133</b>	<b>35,181</b>	<b>3,341</b>	<b>3,109</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	17	(18,930)	(12,617)	0	0
Current tax liability		(1,788)	(1,068)	(5)	(2)
Bank loans and overdrafts		(3,349)	(6,924)	0	0
- short term borrowings					
- current portion of long term borrowings		0	(1,666)	0	0
		(24,067)	(22,275)	(5)	(2)
<b>Non-current liabilities</b>					
Long term borrowings	19	0	(2,083)	0	0
<b>TOTAL LIABILITIES</b>		<b>(24,067)</b>	<b>(24,358)</b>	<b>(5)</b>	<b>(2)</b>
<b>NET ASSETS</b>		<b>17,066</b>	<b>10,823</b>	<b>3,336</b>	<b>3,107</b>
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	21	232	230	232	230
Share premium account		3,045	2,829	3,045	2,829
Merger reserve		224	224	0	0
Share based payment reserve		794	386	0	0
Profit and loss account		12,771	7,154	59	48
<b>SHAREHOLDERS' FUNDS</b>		<b>17,066</b>	<b>10,823</b>	<b>3,336</b>	<b>3,107</b>

These financial statements were approved by the directors on the 14th October 2008, and signed on its behalf by:

Tony Dyer  
Finance Director

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31st July 2008

	GROUP		COMPANY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit after taxation	9,092	6,776	3,321	6,765
Adjustments for:				
Depreciation	643	499	0	0
Profit on disposal of discontinued operation	0	(59)	0	0
Foreign exchange gain on disposal of discontinued operation	0	(3)	0	0
Loss on disposal of property, plant and equipment	27	0	0	0
Interest income	(79)	(20)	(16)	(8)
Interest expense	1,074	831	0	0
Taxation expense recognised in profit and loss	3,705	3,162	5	3
Increase in trade and other receivables	(6,385)	(7,514)	(678)	(996)
Increase in trade and other payables	6,313	4,119	0	(652)
Share based payment charge	540	321	0	0
Investment income	0	0	(3,309)	(5,428)
Cash generated from operations	14,930	8,112	(677)	(316)
Interest paid	(1,074)	(831)	0	0
Income taxes paid	(3,241)	(2,205)	(2)	(1)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>10,615</b>	<b>5,076</b>	<b>(679)</b>	<b>(317)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of Matchtech Inc	0	105	0	0
Purchase of plant and equipment	(880)	(960)	0	0
Proceeds from sale of plant	62	28	0	0
Interest received	79	20	16	8
Dividend received	0	0	3,309	5,428
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(739)</b>	<b>(807)</b>	<b>3,325</b>	<b>5,436</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of share capital	218	829	218	829
(Repayments to)/proceeds from long-term borrowings	(7,257)	699	0	0
Dividends paid	(3,309)	(5,428)	(3,309)	(5,428)
<b>NET CASH USED IN FINANCING</b>	<b>(10,348)</b>	<b>(3,900)</b>	<b>(3,091)</b>	<b>(4,599)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(472)</b>	<b>369</b>	<b>(445)</b>	<b>520</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	659	290	656	136
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>187</b>	<b>659</b>	<b>211</b>	<b>656</b>

ANALYSIS OF CASH AND CASH EQUIVALENTS	GROUP		COMPANY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash and cash equivalents	297	836	211	656
Bank Overdraft	(110)	(177)	0	0
	<b>187</b>	<b>659</b>	<b>211</b>	<b>656</b>

## **NOTES**

### **forming part of the financial statements**

#### **1 THE 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 Group is organised in three sectors, Engineering, Built Environment and Support Services, with niche activities within each sector. The Group's address is: Matchtech Group plc, 1450 Parkway, Whiteley, Fareham PO15 7AF.

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

The financial 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 2008, our first annual reporting date at which we are required to use IFRS accounting standards as adopted by the EU.

Matchtech Group plc's consolidated and company financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 July 2007. The date of transition to IFRS was 1 August 2006. The comparative figures in respect of 2007 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in note 2.

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.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared on the basis of taking the following exemptions:

- business combinations prior to 1 August 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations".
- cumulative translation differences on foreign operations are deemed to be nil at 1 August 2006. Any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date.
- the transitional arrangements of IFRS 2 Share Based Payments have been applied. In accordance with transitional arrangements, IFRS has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 August 2006.

##### **iii Basis of consolidation**

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

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

Intra-group transactions are eliminated on consolidation

##### **iv 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.

**v Property, plant and equipment**

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

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

Motor Vehicles	25.00%	Reducing balance
Computer equipment	25.00%	Straight line
Equipment	12.50%	Straight line

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

**vi 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.

**vii 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.

**viii 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.

**ix Taxation**

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

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

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

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

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

**x 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.

#### **xi Share based payment**

The transitional arrangements of IFRS 2 have been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 August 2006. All share-based remuneration is ultimately recognised as an expense in the income statement with a corresponding credit to "share-based payment reserve". All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of employee services are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

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

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

#### **xii Exceptional items**

Non-recurring items which are sufficiently material are presented separately within their relevant consolidated income statement category. This helps to provide a better understanding of the group's financial performance.

#### **xiii 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.

#### **xiv Discontinued operations**

A discontinued operation is a cash-generating unit, or a group of cash -generating units, that either has been disposed of, or is classified as held for sale, and:

- represents a separate line of business or geographic area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

The disclosures for discontinued operations in the prior period relate to all operations that have been discontinued by the balance sheets date for the latest period presented.

#### **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.

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

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

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

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

#### **xvi Financial liabilities**

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

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

#### **xvii Cash and cash equivalents**

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

#### **xviii Dividends**

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

#### **xix 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.
- "Foreign currency reserve" represents the foreign exchange difference arising on retranslation of the assets of Matchtech Inc.
- "Profit and loss reserve" represents retained profits.

#### **xx Foreign currencies**

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

translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Foreign currency reserve" 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.

#### **xxi Employee Benefit Trust**

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the group accounts. Any assets held by the EBT cease to be recognised on the group balance sheet when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the group income statement.

#### **xxii Financial risk management**

Details of the Group's financial risk management policies and objectives as they relate to financial instruments, comprising discussion of the risks the Group faces, including liquidity risk, and its responses to them, are included within the Group Finance Director's Review under the heading Group Financial Risk Management.

#### **xxiii Significant accounting estimates and judgments**

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.

##### **Key sources of estimation uncertainty**

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

Estimated useful lives of property, plant and equipment

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

#### Impairment loss of trade and other receivables

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

#### Share based payments

The key assumptions used in estimating the fair values of options granted to employees under IFRS 2 are detailed under Note 21.

### **xxiv Employee benefits**

The financial liability arising in relation to outstanding holiday pay is recognised on the balance sheet with the expense being charged as a payroll cost.

## 2 TRANSITIONAL ARRANGEMENTS

These are the Group's first annual consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below. There were no changes to the Company's financial statements resulting from the transition therefore no transition statement has been presented for the Company.

### Reconciliation of equity at 1 August 2006

	UK GAAP	IAS 12 Income Taxes £'000	IAS 17 Leases £'000	IAS 19 Employee Benefits £'000	IFRS as restated £'000
<b>EQUITY</b>	<b>£'000</b>				
Called-up equity share capital	221	0	0	0	221
Share premium account	2,009	0	0	0	2,009
Other reserves	567	0	0	0	567
Retained earnings	4,454	566	(64)	(72)	4,884
<b>TOTAL EQUITY</b>	<b>7,251</b>	<b>566</b>	<b>(64)</b>	<b>(72)</b>	<b>7,681</b>

### Reconciliation of consolidated balance sheet and equity at 31 July 2007

	UK GAAP	IAS 1 Presentation of financial statements £'000	IAS 12 Income Taxes £'000	IAS 17 Leases £'000	IAS 19 Employee Benefits £'000	IFRS as restated £'000
<b>NON-CURRENT ASSETS</b>						
Intangible assets	133	0	0	0	0	133
Property, plant and equipment	1,699	0	0	0	0	1,699
Deferred tax assets	0	124	405	0	0	529
<b>CURRENT ASSETS</b>						
Trade and other receivables	32,108	(124)	0	0	0	31,984
Cash and cash equivalents	836	0	0	0	0	836
<b>CURRENT LIABILITIES</b>						
Trade and other payables	(12,474)	0	0	(67)	(76)	(12,617)
Tax liability	(1,068)	0	0	0	0	(1,068)
Bank loans and overdrafts	(8,590)	0	0	0	0	(8,590)
<b>NON-CURRENT LIABILITIES</b>						
Bank loan	(2,083)	0	0	0	0	(2,083)
<b>NET ASSETS</b>	<b>10,561</b>	<b>0</b>	<b>405</b>	<b>(67)</b>	<b>(76)</b>	<b>10,823</b>
<b>EQUITY</b>						
Called-up equity share capital	230	0	0	0	0	230
Share premium account	2,829	0	0	0	0	2,829
Other reserves	610	0	0	0	0	610
Retained earnings	6,892	0	405	(67)	(76)	7,154
<b>TOTAL EQUITY</b>	<b>10,561</b>	<b>0</b>	<b>405</b>	<b>(67)</b>	<b>(76)</b>	<b>10,823</b>

Reconciliation of consolidated income statement for year ended 31 July 2007

	UK GAAP	IAS 1	IAS 12 (1)	IAS 17	IAS 19	IAS 21	IFRS
		Presentation	Income	Leases	Employee	Foreign	as
	£'000	of financial	Taxes	£'000	Benefits	Exchange	restated
		statements	£'000		£'000	Rates	£'000
		£'000				£'000	£'000
Revenue	202,914	(135)	0	0	0	0	202,779
Cost of sales	(176,019)	117	0	0	0	0	(175,902)
<b>Gross profit</b>	<b>26,895</b>	<b>(18)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,877</b>
Administration Costs	(15,627)	10	0	(2)	(4)	0	(15,623)
Cost of admission to AIM	(572)	0	0	0	0	0	(572)
Profit on sale of discontinued operation	59	(59)	0	0	0	0	0
Finance Income	19	0	0	0	0	0	19
Finance Cost	(830)	0	0	0	0	0	(830)
<b>Profit before tax</b>	<b>9,944</b>	<b>(67)</b>	<b>0</b>	<b>(2)</b>	<b>(4)</b>	<b>0</b>	<b>9,871</b>
Taxation	(2,359)	3	(806)	0	0	0	(3,162)
<b>Profit for the period</b>	<b>7,585</b>	<b>(64)</b>	<b>(806)</b>	<b>(2)</b>	<b>(4)</b>	<b>0</b>	<b>6,709</b>
Profit from discontinued operations	0	64	0	0	0	3	67
<b>Profit for the period from total operations</b>	<b>7,585</b>	<b>0</b>	<b>(806)</b>	<b>(2)</b>	<b>(4)</b>	<b>3</b>	<b>6,776</b>

## Notes to the reconciliations

### IAS 1 Presentation of financial statements

Under UK GAAP, the deferred tax asset was classified as a current asset. Under IFRS the deferred tax asset is classified as a non-current asset.

Under UK GAAP, the income statement provided full disclosure of each line item relating to discontinued operations. Under IFRS, only the profit from the discontinued operation is disclosed on the income statement.

### IAS 12 Income Taxes

Under FRS 19, deferred tax was recognised only on timing differences; in contrast IAS 12 "Income Taxes" requires the recognition of deferred tax on all temporary differences which specifically impacts the recognition of deferred tax in relation to share based payments.

Under FRS 19, the deferred tax asset on the cost of options recognised was restricted to the amount calculated by applying the prevailing corporation tax rate to the total cost in the year calculated under FRS20. Under IFRS the deferred tax asset recognised is the cost of options outstanding based on the fair value at the period end date multiplied by the prevailing rate of corporation tax. The deferred tax asset has been adjusted in line with IFRS requirements.

The tax effect of gains and losses on exercise of share options in the period is recognised through the income statement only to the extent that a corresponding charge has been recorded as remuneration expense under the requirements of IFRS2, Share Based Payments. The excess of the tax effect over the cumulative IFRS2 charge is recognised directly in equity.

(1) This adjustment was not reflected in the transition statements presented in the interim financial statements for the period to 31 January 2008. The impact of this adjustment is an increase of £806,000 to the tax charge and a corresponding decrease in profit for the year ended 31 July 2007.

## IAS 17 Leases

Under UK GAAP, the rent-free period lease incentive was spread over the period from the start of the lease to the first break clause. Under IFRS, the incentive is spread over the non-cancellable contracted period of the lease term.

## IAS 19 Employee benefits

Under UK GAAP, the company chose not to accrue for outstanding staff holiday pay at the balance sheet date. IFRS requires that the accrual be calculated at each balance sheet date.

## IAS 21 The Effects of Changes in Foreign Exchange Rates

On the disposal of Matchtech Inc the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal. Under UK GAAP the difference was shown as a movement in reserves.

## Cash Flow statement

Application of IFRS has resulted in reclassification of certain items in the cash flow statement as follows:

Profit after taxation has been adjusted as per the reconciliation above. (Operating profit was used in the Annual Report for 2007 in the reconciliation to net cash inflow from operating activities).

Movements in trade and other receivables and trade and other payables have been adjusted to account for the IFRS adjustments to the provisions on the balance sheet as shown in the reconciliations of consolidated balance sheets and income statements above. These relate to the reclassification of the deferred tax asset between trade and other receivables and non current assets and the adjustments to the rent free period and staff holiday reserves.

## 3 SEGMENTAL INFORMATION

The revenue, gross profit and profit before tax are attributable to the one principal activity of the group.

	2008 £'000	2007 £'000
A segmental analysis of revenue is given below:		
Engineering	147,977	129,299
Built Environment	69,186	40,046
Support Services	41,667	33,434
Continuing operations	258,830	202,779
Discontinued Operations	0	135
<b>Total</b>	<b>258,830</b>	<b>202,914</b>

	2008 £'000	2007 £'000
A segmental analysis of gross profit is given below:		
Engineering	16,786	14,833
Built Environment	9,039	6,000
Support Services	7,409	6,044
Continuing operations	33,234	26,877
Discontinued Operations	0	18
<b>Total</b>	<b>33,234</b>	<b>26,895</b>

	2008 £'000	2007 £'000
A segmental analysis of operating profit is given below:		
Engineering	7,562	5,896
Built Environment	3,977	2,384
Support Services	2,253	2,402
Continuing operations	13,792	10,682

Discontinued Operations	0	8
<b>Total</b>	<b>13,792</b>	10,690

The Group operates from a single site with assets being centrally held. For this reason a segmental analysis of assets and liabilities has not been presented.

The Directors consider that the group does not generate material profits from overseas operations and have therefore not presented geographic information.

#### 4 OPERATING PROFIT

	2008 £'000	2007 £'000
Operating profit is stated after charging:		
Depreciation	643	499
Loss on disposal of property, plant and equipment	31	0
Auditors' remuneration	39	30
- fees payable for the audit of the annual accounts		
- tax services	4	11
- other services pursuant to legislation	14	119
Operating lease costs:		
- Plant and machinery	12	8
- Land and buildings	536	424
Net (profit)/loss on foreign currency translation	(6)	4

#### 5 DISCONTINUED OPERATIONS

On 31st August 2006 Matchtech Group UK Ltd sold the shares of Matchtech Inc for consideration of £105,000, giving a profit on disposal of £59,000. The profit from Matchtech Inc has been included under discontinued operations in the consolidated income statement. The income statement of Matchtech Inc is set out below.

	2008 £'000	2007 £'000
Revenue	0	135
Cost of Sales	0	(117)
<b>GROSS PROFIT</b>	<b>0</b>	<b>18</b>
Administrative Expenses	0	(10)
<b>OPERATING PROFIT</b>	<b>0</b>	<b>8</b>
Finance income	0	0
Finance cost	0	0
<b>PROFIT BEFORE TAX</b>	<b>0</b>	<b>8</b>
Profit on disposal of discontinued operation	0	59
Income tax expense	0	(3)
Foreign exchange gain	0	3
<b>PROFIT FROM DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>67</b>

## 6 PARTICULARS OF EMPLOYEES

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

	2008 No.	2007 No.
Selling	215	148
Administration	60	66
Directors	7	7
<b>Total</b>	<b>282</b>	<b>221</b>

The aggregate payroll costs of the above were:

	2008 £'000	2007 £'000
Wages and salaries	11,394	9,183
Social security costs	1,325	1,082
Other pension costs	744	648
<b>Total</b>	<b>13,463</b>	<b>10,913</b>

Disclosure of the remuneration of Key Management Personnel, as required by IAS 24, is covered by the audited part of the Directors Remuneration Report.

## 7 FINANCE COSTS

	2008 £'000	2007 £'000
Bank interest payable	1,074	831

## 8 DIVIDENDS

	2008 £'000	2007 £'000
Equity dividends paid during the year at 14.3 pence per share (2007: 24.1p)	3,310	5,427
Equity dividends proposed after the year-end (not recognised as a liability) at 10.6 pence per share (2007: 9.3p)	2,462	2,148

## 9 PARENT COMPANY PROFIT

	2008 £'000	2007 £'000
The amount of profit (loss) dealt with in the accounts of the company is	11	1,337

The company has taken advantage of the exemption in S230 of the Companies Act (1985) not to present the parent company's income statement.

## 10 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
Current Tax:		
UK corporation tax	3,932	3,177
Adjustments in respect of previous periods	(77)	1
	<b>3,855</b>	<b>3,178</b>
Deferred tax (note 14)	(150)	(16)
<b>Tax on profit on ordinary activities</b>	<b>3,705</b>	<b>3,162</b>

UK corporation tax has been charged at 29.33% (2007 – 30%).

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

	2008 £'000	2007 £'000
Profit before tax	<b>12,797</b>	9,871
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29.33% (2007: 30%)	<b>3,753</b>	2,961
Expenses not deductible for tax purposes	18	17
Exceptional items not deductible for tax purposes	0	183
Change in deferred tax rate	11	0
Adjustments to tax charge in respect of previous periods	(77)	1
<b>Current tax charge for period</b>	<b>3,705</b>	<b>3,162</b>

	2008 £'000	2007 £'000
Tax charge/(credit) recognised directly in equity		
Current tax recognised directly in equity	(91)	(806)
Deferred tax recognised directly in equity	387	162
<b>Total tax recognised directly in equity</b>	<b>296</b>	<b>(644)</b>

### Factors that may affect future tax charges

Based on current capital investment plans, and the changes in capital allowance rules effective April 2008, the group expects depreciation to exceed capital allowances in the future.

A deferred tax asset has been recognised in the balance sheet in respect of the cost of employee share options. This will become recoverable when the options are exercised.

None of the companies have losses carried forward available for offset against future profits and the directors are confident that the group will continue to be profitable in coming years.

## 11 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 has been added to the denominator. There are no changes to the profit (numerator) as a result of the dilutive calculation.

		<b>2008</b>	<b>2007</b>
		<b>£'000</b>	<b>£'000</b>
Profit after tax attributable to ordinary shareholders	Continuing operations	<b>9,092</b>	6,709
	Discontinued operations	<b>0</b>	67
<b>Total</b>		<b>9,092</b>	<b>6,776</b>

		<b>2008</b>	<b>2007</b>
		<b>'000s</b>	<b>'000s</b>
Weighted average number of ordinary shares in issue		<b>23,111</b>	22,470
Effect of dilutive potential ordinary shares		<b>660</b>	556
<b>Total</b>		<b>23,771</b>	<b>23,026</b>

			<b>pence</b>	<b>Pence</b>
Earnings per ordinary share	- basic	Continuing operations	<b>39.34</b>	29.86
		Discontinued operations	<b>0.00</b>	0.30
<b>Total</b>			<b>39.34</b>	<b>30.16</b>
	- diluted	Continuing operations	<b>38.25</b>	29.14
		Discontinued operations	<b>0.00</b>	0.29
<b>Total</b>			<b>38.25</b>	<b>29.43</b>

Earnings Per Share for the purpose of a performance measure for the LTIPs is calculated excluded the non-recurring items of the sales and profits of the US business sold on 31st August 2006 as well as the non-recurring costs of the flotation as calculated below. (See 'Earnings per share growth' within the Directors' Remuneration Report).

		<b>2008</b>	<b>2007</b>
		<b>'000s</b>	<b>'000s</b>
Profit on ordinary activities after taxation		<b>9,092</b>	6,776
Cost of admission to AIM		<b>0</b>	572
Profit after tax of discontinued operations		<b>0</b>	(5)
Profit on sale of discontinued operations		<b>0</b>	(59)
<b>Profit on ordinary activities after taxation but before non-recurring items</b>		<b>9,092</b>	<b>7,284</b>
		<b>pence</b>	<b>pence</b>
Earnings per ordinary share	- basic	<b>39.34</b>	32.42
	- diluted	<b>38.25</b>	31.63

## 12 INTANGIBLE ASSETS

		Software Licences £'000
COST	At 1 August 2006	150
	Additions	37
	At 1st August 2007	187
	Additions	86
	<b>At 31st July 2008</b>	<b>273</b>
AMORTISATION	At 1st August 2006	22
	Charge for the year	32
	At 1st August 2007	54
	Charge for the year	49
	<b>At 31st July 2008</b>	<b>103</b>
NET BOOK VALUE	At 31st July 2007	133
	<b>At 31st July 2008</b>	<b>170</b>

## 13 PROPERTY, PLANT AND EQUIPMENT

Group		Motor Vehicles £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
COST	At 1 August 2006	1,194	947	514	2,655
	Additions	329	364	230	923
	Disposals	(116)	0	0	(116)
	At 1st August 2007	1,407	1,311	744	3,462
	Additions	472	190	131	793
	Disposals	(155)	(114)	(11)	(280)
	<b>At 31st July 2008</b>	<b>1,724</b>	<b>1,387</b>	<b>864</b>	<b>3,975</b>
	DEPRECIATION	At 1st August 2006	515	557	312
Charge for the year		216	140	111	467
Release on disposal		(88)	0	0	(88)
At 1st August 2007		643	697	423	1,763
Charge for the year		275	174	145	594
Release on disposal		(105)	(75)	(11)	(191)
<b>At 31st July 2008</b>		<b>813</b>	<b>796</b>	<b>557</b>	<b>2,166</b>
NET BOOK VALUE	At 31st July 2007				
	<b>At 31st July 2008</b>	<b>911</b>	<b>591</b>	<b>307</b>	<b>1,809</b>

There were no capital commitments as at 31st July 2008 (2007: £nil)

## 14 DEFERRED TAX

	GROUP		COMPANY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
The deferred tax asset is represented by:				
Temporary difference on share based payments				
At start of year	529	675	0	0
Recognised in income	150	16	0	0
Recognised in equity	(387)	(162)	0	0
<b>At end of year</b>	<b>292</b>	<b>529</b>	<b>0</b>	<b>0</b>

## 15 INVESTMENTS

	GROUP		COMPANY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Shares in group companies	0	0	250	250
<b>Total</b>	<b>0</b>	<b>0</b>	<b>250</b>	<b>250</b>

### 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

On 31st August 2006 Matchtech Group UK Ltd sold the shares of Matchtech Inc for consideration of £105,000. The results of Matchtech Inc have been included under discontinued operations in the consolidated income statement.

## 16 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade debtors	38,298	31,672	0	0
Amounts owed by group companies	0	0	2,880	2,203
Other debtors	49	55	0	0
Prepayments	218	257	0	0
<b>Total</b>	<b>38,565</b>	<b>31,984</b>	<b>2,880</b>	<b>2,203</b>

The amount owed to group undertakings in the company balance sheet is considered to approximate to fair value.

The number of days sales outstanding at the end of the period was 54 days (2007: 57 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of debts.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £6,293,000 (2006: £7,799,000) which are past due at the reporting date for which the Group has not provided as the Directors do not believe there has been a significant change in credit quality and consider the amounts to be recoverable in full. The Group does not hold any collateral over these balances. The Directors consider all trade receivables not past due to be fully recoverable.

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

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

#### Ageing of past due but not impaired trade receivables

	GROUP	
	2008	2007
	£'000	£'000
0-30 days	5558	6,448
30-60 days	619	1,042
60-90 days	29	151
90+ days	87	158
	<b>6,293</b>	<b>7,799</b>

#### Movement in the allowance for doubtful debts

	GROUP	
	2008	2007
	£'000	£'000
Balance at the beginning of the period	183	116
Impairment losses recognised	16	67
	<b>199</b>	<b>183</b>

#### Ageing of impaired trade receivables

	GROUP	
	2008	2007
	£'000	£'000
0-30 days	0	0
30-60 days	0	0
60-90 days	0	11
90+ days	199	172
	<b>199</b>	<b>183</b>

## 17 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade creditors	149	54	0	0
Taxation and Social Security	5,049	5,376	0	0
Other creditors	10,667	4,140	0	0
Accruals and deferred income	3,065	3,047	0	0
<b>Total</b>	<b>18,930</b>	<b>12,617</b>	<b>0</b>	<b>0</b>

The working capital facility is secured by way of an all assets debenture, dated 5 August 2002, which contains fixed and floating charges over the assets of Matchtech Group UK Limited. The facility held with Barclays Bank allows the company to borrow up to 90% of its invoiced debtors up to a maximum of £20 million. Interest is charged on borrowings at a rate of 1.0% over Barclays Bank base rate.

## 18 FINANCIAL ASSETS AND LIABILITIES BALANCE SHEET CLASSIFICATION

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

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade and other receivables				
- Loan and receivables	<b>38,347</b>	31,727	<b>2,880</b>	2,203
Cash and cash equivalents				
- Loan and receivables	<b>297</b>	836	<b>211</b>	656
<b>Total</b>	<b>38,644</b>	32,563	<b>3,091</b>	2,859

Each financial liability is considered to be held at fair value.

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Current liabilities</b>				
Borrowings				
- Financial liabilities recorded at amortised cost	<b>3,349</b>	8,590	0	0
Trade and other payables				
- Financial liabilities recorded at amortised cost	<b>10,816</b>	4,194	0	0
<b>Non current liabilities</b>				
Borrowings				
- Financial liabilities recorded at amortised cost	<b>0</b>	2,083	0	0
<b>Total</b>	<b>14,165</b>	14,867	0	0

## 19 LONG TERM BORROWINGS

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loan	<b>0</b>	<b>2,083</b>	<b>0</b>	<b>0</b>

The bank loan was cleared on 31<sup>st</sup> July 2008

## 20 COMMITMENTS UNDER OPERATING LEASES

At 31st July 2008 the group had commitments to pay the following amounts under non-cancellable operating leases as set out below.

			GROUP		COMPANY	
			2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Land/buildings</b>	Leases falling due:	within 1 to 5 years	583	783	0	0
		after 5 years	2,494	2,779	0	0
<b>Other</b>	Leases falling due:	within 1 year	1	6	0	0
		within 1 to 5 years	9	12	0	0

The lease on 1400 Parkway, which expires in March 2017 has a break clause exercisable in June 2011. The annual commitment has therefore been classified in the expiration within 1 to 5 year category. There are no applicable renewal clauses in the current lease agreements.

## 21 SHARE CAPITAL

### Authorised share capital

	2008 £'000	2007 £'000
40,000,000 Ordinary shares of £0.01 each	400	400

### Allotted, called up and fully paid:

	2008 £'000	2007 £'000
23,225,000 Ordinary shares of £0.01 each	232	230

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

Date	Ordinary shares issued	Share premium received pence per share	Consideration Received
At 01/08/2006	22,071,610		
27/10/2006	348,254	69	243,778
27/11/2006	31,955	366	117,115
27/11/2006	31,955	0	320
22/12/2006	767	0	8
30/01/2007	736	0	7
26/02/2007	658	0	7
30/03/2007	668	0	7
27/04/2007	573	0	6
25/05/2007	485	0	5
01/06/2007	539,140	86	466,705
11/06/2007	947	88	839
25/06/2007	1,447	0	14
<b>At 31/7/2007</b>	<b>23,029,195</b>		<b>828,811</b>
27/08/2007	436	0	4
28/09/2007	447	0	4
31/10/2007	454	0	5
05/11/2007	70,872	89	63,781
23/01/2008	17,131	0	171
08/04/2008	9,174	133	12,293
12/05/2008	5,692	145	8,310
05/06/2008	75,336	145	109,991
28/07/2008	16,619	145	24,264
<b>Total</b>	<b>23,225,356</b>		<b>1,047,634</b>

## Share Options

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

	2008 '000s	2007 '000s	Date of grant	Exercise price pence	Exercise period	
Key Share Options	24	48	18/06/2004	70	18/06/2005	to 18/06/2014
Key Share Options	0	34	08/11/2004	89	08/11/2005	to 08/11/2014
Key Share Options	142	218	01/12/2005	146	01/06/2007	to 01/12/2015
Target/Loyalty Share Options	3	3	05/03/2003	70	14/07/2005	to 05/03/2013
Target/Loyalty Share Options	2	2	18/06/2004	70	18/06/2005	to 18/06/2014
Target/Loyalty Share Options	2	6	08/11/2004	89	14/07/2006	to 08/11/2014
Target/Loyalty Share Options	26	72	01/12/2005	146	01/12/2006	to 01/12/2015
Long Term Incentive Plan Options	260	269	26/10/2006	1	27/10/2009	to 27/10/2016
Long Term Incentive Plan Options	7	8	26/01/2007	1	26/01/2010	to 25/01/2017
Long Term Incentive Plan Options	292	0	15/11/2007	1	15/11/2010	to 14/11/2017
<b>Total</b>	<b>758</b>	<b>660</b>				

In the year the company operated an EMI Share Option Scheme. No EMI share options were granted during the year. All options exercised during the year were EMI share options.

The Group also operates a Long Term Incentive Plan (LTIP). LTIP awards are nil-cost options granted to senior staff subject to a three year holding period and the achievement of performance targets. LTIP options have a life of 10 years. The number and weighted average exercise price of share options granted, forfeited and exercised in the year were as follows.

	Number '000s	2008 Weighted average exercise price (pence)	Weighted average share price (pence)	Number '000s	2007 Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1st August	660	75.6		1,294	95.5	
Granted	302	1.0		295	1.0	
Forfeited	33	29.9		41	69.5	
Exercised	171	122.8	361.0	888	80.1	411.0
<b>Outstanding at 31st July</b>	<b>758</b>	<b>75.6</b>	<b>75.6</b>	<b>660</b>	<b>75.6</b>	<b>75.6</b>
<b>Exercisable at 31st July</b>	<b>200</b>	<b>134.2</b>	<b>134.2</b>	<b>93</b>	<b>78.2</b>	<b>78.2</b>

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

Exercise Date	Weighted average remaining contract life (months)	2008		2007		Weighted average exercise price (pence)
		Number '000s	Weighted average exercise price (pence)	Number '000s	Weighted average remaining contract life (months)	
27/10/2009	15	260	1.0	27	269	1.0
30/01/2010	18	7	1.0	27	8	1.0
06/11/2010	27	292	1.0	0	0	0.0
<b>Total</b>		<b>559</b>			<b>277</b>	

The fair values of the LTIPS were calculated using a Monte Carlo simulation method along with the assumption as detailed in the table below. In the year the Group operated a Share Incentive Plan (SIP). The SIP 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 SIPS were calculated as the market value on the date of the grant.

Date of grant		Share Price on the date of grant (£)	Exercise Price (£)	Volatility (%)	Vesting Period (yrs)	Dividend Yield (%)	Risk Free Rate of interest (%)	Fair Value (£)
27/10/2006	LTIP	3.45	0.01	30.4%	3.00	10%	4.6%	1.96
30/01/2007	LTIP	3.79	0.01	30.7%	3.00	10%	5.0%	2.20
27/11/2006	SIP	3.67	0.01	N/A	3.00	N/A	N/A	3.67
22/12/2006	SIP	3.67	0.01	N/A	3.00	N/A	N/A	3.67
30/01/2007	SIP	3.79	0.01	N/A	3.00	N/A	N/A	3.79
26/02/2007	SIP	4.02	0.01	N/A	3.00	N/A	N/A	4.02
30/03/2007	SIP	4.00	0.01	N/A	3.00	N/A	N/A	4.00
27/04/2007	SIP	4.40	0.01	N/A	3.00	N/A	N/A	4.40
25/05/2007	SIP	4.75	0.01	N/A	3.00	N/A	N/A	4.75
25/06/2007	SIP	4.83	0.01	N/A	3.00	N/A	N/A	4.83
27/07/2007	SIP	4.73	0.01	N/A	3.00	N/A	N/A	4.73
15/11/2007	LTIP	4.24	0.01	30.1%	3.00	10%	4.6%	2.68
30/08/2007	SIP	4.61	0.01	N/A	3.00	N/A	N/A	4.61
28/09/2007	SIP	4.60	0.01	N/A	3.00	N/A	N/A	4.60
26/10/2007	SIP	4.69	0.01	N/A	3.00	N/A	N/A	4.69
30/11/2007	SIP	4.12	0.01	N/A	3.00	N/A	N/A	4.12
02/01/2008	SIP	3.73	0.01	N/A	3.00	N/A	N/A	3.73
25/01/2008	SIP	3.58	0.01	N/A	3.00	N/A	N/A	3.58
29/02/2008	SIP	3.19	0.01	N/A	3.00	N/A	N/A	3.19
28/03/2008	SIP	3.02	0.01	N/A	3.00	N/A	N/A	3.02
25/04/2008	SIP	2.88	0.01	N/A	3.00	N/A	N/A	2.88
30/05/2008	SIP	2.97	0.01	N/A	3.00	N/A	N/A	2.97
27/06/2008	SIP	2.90	0.01	N/A	3.00	N/A	N/A	2.90
25/07/2008	SIP	2.68	0.01	N/A	3.00	N/A	N/A	2.68

- The volatility of the Company's share price on each date of grant was calculated as the average of annualized 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.

- The IFRS2 charge for the year ended 31st July 2008 is £538,916 (2007: £320,948)

## 22 TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

The company was under the direction of G D P Materna, A P Gunn, A S Dyer, P J Raine and A F White throughout the period. As disclosed in the Directors' Report, the directors are each personally interested in 33.9%, 1.7%, 1.1%, 7.9% and 4.7% respectively, of the company's issued share capital.

There were no material related party transactions with the directors during the period.

With the exception of dividends paid from Matchtech Group UK Limited to Matchtech Group PLC of £2,148,431 on 27th November 2007 and £1,160,666 on 19th June 2008 there are no other related party transactions in the company accounts.

## 23 FINANCIAL INSTRUMENTS

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

### Maturity of financial liabilities

The group financial liabilities analysis at 31 July 2008 was as follows:

	GROUP		COMPANY	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
In less than one year or on demand:	109	176	0	0
Bank overdrafts	-	1,667	0	0
Bank loans	-	-	0	0
Revolving credit facility	3,240	6,747	0	0
Working capital facility	3,349	8,590	0	0
In more than one year but less than two years:				
Bank and other borrowings	0	1,666	0	0
In more than two years but less than five years:				
Bank and other borrowings	0	417	0	0

### Borrowing facilities

(i) The bank loan was fully repaid in 2008 and replaced by a revolving credit facility whereby the Group may borrow up to £7.5 million subject to satisfaction of the requirements of the facility. The interest rate of the loan is set at 1.1% above the LIBOR lending rate. The maturity date is set by interest period at the commencement of the loan. Each advance is repaid on that date but the revolving facility allows any amount repaid to be available for redrawing.

(ii) The undrawn facility available at 31 July 2008 of the Working Capital facility in respect of which all conditions precedent had been met was as follows:

	Group	
	2008	2007
	£'000	£'000
Expiring in one year or less	16,760	13,253

The working capital facility is secured on the total assets of the group as explained in note 17.

The working capital facility was reviewed by the facility providers in September 2008 and renewed for a further twelve months.

The Directors have calculated that the approximate effect of a 1% movement in interest rates would be £100,000.

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

## et foreign currency monetary assets

	Group 2008 £'000	2007 £'000
Euros	19	138

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In the Directors' opinion, the exposure to Foreign Currency risk and Interest Rate risk is not material to the Group and has therefore not included sensitivity analyses in these areas.

## 24 STANDARDS AND INTERPRETATIONS IN ISSUE, NOT YET EFFECTIVE

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

Standard		Effective date (Annual periods beginning on or after)
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 12	Service Concession Arrangements	1 January 2008
IAS 23	Borrowing Costs (revised 2007)	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 July 2009
IAS 1	Presentation of Financial Statements (revised 2007)	1 January 2009
IAS 32	Financial Instruments: Presentation	1 January 2009
IFRS 2	Share-based Payment - Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 1 & IAS 27	Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IAS 39	Amendment - Financial Instruments: Recognition and Measurement - Eligible Hedged Items	1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

Based on the Group's current business model and accounting policies, management does not expect material impacts on the figures in the Group's financial statements when the interpretations become effective. Management does anticipate a significant impact on disclosures in the financial statements arising from IAS 1 (revised 2007).

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

## **25 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.

## **26 EQUITY**

For the purpose of preparation of the consolidated financial statements of the Group, the share capital represents the nominal value of the issued share capital of Matchtech Group PLC. 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.

The share based payment reserve represents equity-settled share-based payments until such share options are exercised.

Foreign currency translation reserve represents the differences arising from translation of investments in overseas subsidiaries.