

8 October 2009

**Matchtech Group plc  
Preliminary Results for the year ended 31 July 2009**

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 2009.

**Financial Headlines**

- Revenue up 4% to £269.6m (2008: £258.8m)
- Net Fee Income (NFI) down 9% to £30.3m (2008: £33.2m), with H1 up 8%, H2 down 23%
- Operating profit of £11.6m (2008: £13.8m)
- Gross profit margin of 11.2% (2008: 12.8%)
- Profit before tax of £11.3m (2008: £12.8m)
- Basic EPS of 34.4p (2008: 39.3p)
  
- Final dividend maintained at 10.6p per share, giving an unchanged total dividend of 15.6p per share
  
- Net debt reduced to £1.2m (2008: £3.1m)
- Group continues to generate positive cash flow at an operating level

**Operational Headlines**

- Pressure on contractor pay rates and margins across all sectors, particularly in H2.
- Business mix has shifted towards contract recruitment which now represents 73% of the Group's NFI (2008: 67%).
- Cost base proactively managed; staff headcount reduced by 20% and annualised savings of approximately £1.7m expected to be realised in the year ending July 2010.
- Recent launch of long-term growth projects:
  - Launch in July of "elemense", a new brand that will enable us to deliver Recruitment Process Outsourcing (RPO) services to a broader client base.
  - Matchtech GmbH set up in Stuttgart in June to focus on developing business within the German engineering markets.

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

"Current trading is in line with the Board's expectations with average weekly permanent placement fees in August and September the same as the average throughout 2009 Q4, although there is still little visibility. The contract business has, as expected, been more resilient and is showing signs of growth with contractor numbers at the end of September 4,630 compared with 4,500 at the end of July, although we continue to experience margin pressure.

"The early actions we have taken to reduce costs have demonstrated our ability to endure the demanding economic conditions and still deliver good levels of profitability and cash flow performance.

"It is difficult to predict how and when demand for recruitment services will progress from the current subdued level. However, our balance sheet remains strong, with low levels of net debt, the cost base remains tightly managed and our mix of Contract and Permanent business provides resilience and the necessary scope for accelerated growth in any economic upturn. Add to this the selected growth initiatives we are planning to undertake in the current financial year, and I believe that Matchtech is well placed to deal with short term market conditions and to capitalise on opportunities in the medium term."

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### **Background on Matchtech**

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

Operating from a single site near Southampton, Matchtech provides predominantly professionally-qualified candidates to a broad range of clients across the UK in the Engineering, Built Environment and Professional Services sectors.

## Chairman's Overview

1 August 2009 saw Matchtech mark its 25th anniversary. Over the last ten years we had become used to a sustained upward trend resulting in compound annual growth of 20% in both Net Fee Income ("NFI") and operating profit.

The significantly and progressively weaker trading environment in 2009 has meant that we have been unable to maintain that positive record. Nonetheless, our resilient business model has allowed us to endure the demanding economic conditions and still deliver acceptable levels of profitability and cash flow.

### Trading Performance

Revenue was £269.6 million, up 4% on 2008 (H1: up 18%, H2: down 7%), with NFI of £30.3 million down 9% (H1: up 8%, H2: down 23%). Operating profit and Profit before tax were down 15% and 12% to £11.6 million and £11.3 million respectively, with Profit before tax in H1 up 7% and in H2 down 27%. Basic earnings per share fell from 39.34 pence to 34.37 pence, down 13%.

Our single site model enabled us to react quickly to the weakening market conditions. We froze all capital expenditure in H2 resulting in the total for the year being 57% down on 2008, and we reduced headcount by 20% to 263 at the year end, resulting in an even leaner business than we had before.

The Group has a high degree of variable staff remuneration which results in the Group's operating costs moving in response to changing market conditions. NFI conversion rate, while down to 38.6% compared to 41.6% in 2008, still stands at a very respectable rate when compared with our peers.

### Net Debt

In difficult trading conditions we have continued to focus on billing and cash collection. Cash generation has again been strong and our net debt has reduced by £1.9 million to £1.2 million at 31 July 2009 (31 July 2008: £3.1 million).

### Dividends

The Board's dividend policy aims to provide an annual dividend level which we believe can be sustained through the economic cycles. 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, makes a total dividend for the year of 15.6 pence per share, the same as last year, providing dividend cover of 2.2 times (2008: 2.5 times). The final dividend, if approved by shareholders at the Annual General Meeting to be held on Friday 20 November 2009, will be payable on Friday 4 December 2009 to shareholders on the register on 6 November 2009.

### People

The Group's performance is a testament to the spirit and determination of our high quality staff, at all levels and in all areas. There is a sustained high performance culture across the group created by the enthusiasm, the dedication, the professionalism and the desire to succeed from all of our experienced management and staff.

The Board would like to congratulate David Rees and Keith Lewis, who both started with us 18 years ago, on their promotion to the Group's executive management team on 1 August 2009, and would like to thank former Resources Director Paul Raine, who left us in February 2009, for his contribution to the development of Matchtech over the past 19 years.

We continue to show a commitment to clients, candidates and contractors that gives us 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 Board would also like to thank our loyal and hard working contractors who have provided our clients with an exemplary service.

### Strategy and Outlook

We have continued our strategy of working in our well established industry sectors and cross-selling within our highly diversified client base. This has resulted in a degree of resilience in the contract business although activity in the permanent business has been harder hit.

It is difficult to predict how and when demand for recruitment services will progress from the current subdued level, particularly given the likely reductions in UK Public Expenditure after the General Election in 2010. Permanent placements in 2010 Q1 continue to weaken, albeit at a slower pace, and provide little or no visibility. The contract business has, as expected, been more resilient and is showing some signs of growth in numbers, although we continue to experience margin pressure.

We remain committed to the long term growth strategy set out at the time of our admission to AIM in 2006. In pursuit of this, we are undertaking a number of new strategic growth initiatives in the current year, which will develop our service offering and start to expand our geographic footprint. These are covered in some detail in the Chief Executive Officer's Review.

We have an experienced long serving management team, who have driven us to our strong market positions, maintaining the right balance for the revenue being generated between fee earners, the engine of the business for today and for the future, and the support staff required to deliver the quality of service. The balance sheet is strong, with low levels of net debt, and the early actions we have taken to reduce costs have demonstrated our ability to endure the demanding economic conditions and still deliver good levels of profitability and cash flow performance.

The Board believes our mix of Contract and Permanent business provides resilience and the necessary scope for accelerated growth in any economic upturn. Add to this the selective initiatives we are undertaking in the current financial year, and we believe that Matchtech is well-placed to deal with short term market conditions and to capitalise on opportunities in the medium term.

George Materna FIRP FCIPD  
Chairman

## Chief Executive Officer's Review

This has truly been a year of two halves. After a strong H1 when we delivered Net Fee Income ("NFI") growth of 8%, the slowdown in the economy had a significant effect on our second half performance, with H2 NFI falling 23%. In the face of these conditions, we took proactive action on our cost base, as a result of which we have posted solid results for the year as a whole.

### Business Review

The year started strongly and despite the market softening in Q2, we delivered solid contract NFI growth in H1 of 12% and permanent fee growth of 2%, resulting in growth in NFI and Profit before tax of 8% and 7% respectively.

In line with the overall UK recruitment sector, H2 became increasingly challenging.

Demand for our permanent recruitment services was particularly hard hit, with H2 NFI of £3.1m compared to £5.2m in H1. Our contract business was more resilient to the downturn as we would expect, and here we saw the number of contractors on assignment falling by 5% from 4,765 at the start of the year to end the year at 4,500. All sectors have seen pressure on margins and reductions to contractor pay rates, reducing our average timesheet value by 8% in July 2009 compared with July 2008.

Due to the decline in permanent revenue, our business mix has shifted towards contract recruitment in the period which now represents 73% of the Group's NFI (2008: 67%).

During the period our top 50 clients accounted for 42% of the Group's NFI compared to 54% last year. VT Group (including its joint ventures Flagship Training and bVT Surface Fleet) (6%), Mouchel Group (3%) and Transport for London (including Metronet) (4%) were our three largest clients. Our Master Vendor contract with Mouchel Group was extended for a further three years and our largest contract win was a Master Vendor agreement with a new client, Invensys Process Systems.

We have been efficient in managing our cost base with the changing environment. The Group's remuneration strategy from sales consultants through to management remained strongly biased towards variable over fixed remuneration. Our IT technology continued to deliver operational efficiencies and our proven single site strategy ensured our costs remained under effective control.

At the start of H2 we were proactive in reducing our headcount in response to a difficult trading environment. Staff numbers have been reduced by 20% from a peak of 330 in December to 263 at the year end with reductions in both sales and support staff. Whilst we will continue to manage our headcount closely, we are committed to ensuring we do not cut into the muscle of the business thereby hampering our ability to bounce back strongly as and when markets recover.

### Engineering Sector

Engineering, our largest and most established sector, has been the most resilient in the second half of the year. Contract NFI was up 6% in H1 but fell 12% in H2. Permanent fees were up 19% in H1 but down 38% in H2 and, overall, the sector was down 11% for the year.

Automotive saw the sharpest slowdown in recruitment activity with an 18% fall in NFI for the year, contract NFI being down 16% and permanent fees down 25%. The remaining engineering markets remained fairly resilient particularly in the Defence, Oil & Gas and Marine areas which were essentially unchanged with slight growth in contract NFI balancing out a small fall in permanent fees.

The Oil & Gas team focuses on the Offshore, Subsea and Petrochemical markets. This marketplace has been affected by the huge fall in the price of crude oil which impacted on pay rates, margins and ultimately temporary and permanent requirements.

The signs are that the marketplace may pick up again in 2010 and we believe that we have positioned ourselves to capitalise on such a change due to our wide client base across the Operators, Contractors, Consultants, Equipment Manufacturers and Subsea specialists. We won major contracts at Honeywell and Invensys, from both of which we expect to see high demand for both UK and overseas based contractors.

The Power & Nuclear team have been focussing on client development work and we anticipate seeing growth in the areas of renewable energy and "new build" in the coming year. The Government's recent announcement of major investment in the UK nuclear infrastructure marketplace (including four new EPR reactors) should provide a solid platform for the coming year.

The Automotive market saw major pressures this year as a result of the economic climate and our contractor numbers reduced by some 60%, in line with the decline in new car sales. Our main clients are anticipating recruiting again in the second quarter of our current year. We are in a mature position within this marketplace, having first tier access to the main Original Equipment Manufacturers (OEM's), allowing for strong growth in contractor numbers and permanent placements when the market turns.

Aerospace is traditionally better protected against the immediate effects of such recent downturns due to the relatively low volume and long lead times of aircraft purchases, and the need for ongoing maintenance and repair work to ensure airworthiness. This year has seen us maintain our contractor base and currently see continued activity within our major Military clients, who are still fully financed, but anticipate continued pressure within the Commercial sector.

The Marine team have experienced another successful year, predominantly based upon their 97% fulfilment rate on our Master Vendor accounts across both blue and white collar recruitment. Major projects include the CVF (aircraft carrier), OPV export projects and the Astute Class submarines and this coming year we are also anticipating work on the FSC (Future Surface Combatant) and the Successor submarine, subject to government funding.

The Pharmaceutical marketplace stayed fairly resilient during the year, whereas the Food and Medical areas were affected by the slowdown. However with our specialist focus and relatively small marketshare, we are looking forward to growth in the coming year.

### **Built Environment Sector**

It has been a tough year for the Built Environment Sector. The Construction Industry is traditionally one of the first to be affected by a recession and is often the hardest hit.

The economic slowdown has significantly affected demand for recruitment services from our customers, particularly in the buildings arena. Contract NFI was up 13% in H1 but down 22% in H2, ending down 6% for the year. Worst affected were permanent fees which saw the earliest sign of the slowdown, down 33% and 67% in H1 and H2 respectively, and down 50% overall for the year.

There appear to be some recent early signs private investment in large commercial building projects. Existing investment commitments are in place for the completion of the London 2012 Olympics infrastructure, and improvements across the rail network, although we will have to wait until 2010 for any increase in activity in the water industry.

As in the Engineering Sector, we have taken the opportunity during this slowdown to reassess our priorities, carrying out some changes to our structure to ensure we are in as strong a position as possible for when the market turns. New industry-focused departments have been created to ensure greater clarity for the clients' and a more focused approach to major projects.

Highways maintenance projects and improvements to traffic and transportation links remain important, particularly across London in the run up to the 2012 Olympics and we should continue our success in this field despite downward pressure on margins from neutral vendor organisations preferred by local authorities. Private sector clients are involved in the 'area maintenance' contracts across the country and we are also exploring opportunities on the M25 widening project, which should gather pace this year.

Significant investment in London Underground improvements and Crossrail, have presented an excellent opportunity for growth in the Rail industry. We have worked hard to position ourselves to supply TfL (including Metronet) and Tubelines, as well as the consultants and contractors involved with these projects.

The water area has entered a 'lull' as the AMP4 cycle of investment ends and AMP5 starts in April 2010. We are well positioned to benefit from any early investment and ramp-up in work as we have secured valuable PSL agreements with the main clients across the industry.

The buildings marketplace has been the worst hit area of the industry and yet also poses the greatest opportunity for recovery. Due to the number of redundancies in this sector, clients will certainly need to recruit to deal with any upturn in workload and we are closely monitoring investment programmes such as Building Schools for the Future (BSF), BAA, MoD and the Olympics.

### **Professional Services Sector**

2009 has seen further evolution of our Professional Services sector which has experienced the lowest fall in NFI across all three sectors of only 4% for the year, up 19% in H1 and down 22% in H2. Contract NFI was up 18% for the year, 36% up in H1 and 5% in H2. However, permanent fees fell 47% in H2 following 2% growth in H1, finishing 24% down for the year.

Our diligent attention to high quality service delivery and a structured approach to client development have given us a clear focus on developing long term relationships. By prioritising business development within our established clients, the Matchtech client base and the NHS, we have managed to strengthen our client experience even while recruitment levels have fallen.

With a broad client base we have moved with the rise and fall in demand from different markets and over 70% of our current contractors are now working within the Public Sector or on publicly funded projects.

Supporting Matchtech Engineering and Built Environment clients is key and we have placed significant numbers at our major clients and across the NHS where we are now the number one provider to five of the eleven Strategic Health Authorities.

Whilst it has been a challenging twelve months for the Procurement and Supply Chain team we have developed a number of new and existing client relationships through a strong focus on achieving Preferred Supplier status ahead of the upturn in the market.

It has been a successful year for the Education & Training team with our permanent billing having more than doubled as we broaden our client base and increase our market presence.

Q4 has seen a greater challenge as cuts in public funding have affected the training market. Simultaneously, however, the government has released additional funding to re-train the unemployed and assist them in returning to the workplace. Our focus for the next year is on developing relationships with the organisations that have been awarded these contracts, as well as increasing our presence amongst FE Colleges.

After an excellent start to the year Sales & Marketing have had a challenging time with key clients approaching recruitment with increased caution. We remain focussed on working within technical markets, mirroring the markets covered by Matchtech's Engineering Sector.

Our key clients in the Human Resources, Accountancy & Finance and Admin teams continue to be Matchtech Master Vendor clients. We will continue to seek to grow our market presence by focusing further on Matchtech's existing clients.

### **Long-term Strategy for Growth**

When Matchtech floated on AIM in 2006 our strategy for long-term growth was focused on the UK market and building on our successful business model; trade in a diverse range of technical and professional industry sectors; keeping a healthy balance of Contingency, Preferred Supplier and Master Vendor relationships; maintaining a contract focus that delivers strong net fee income conversion; and retaining a low cost base through our single site and IT strategies.

There continue to be good prospects for growth in our core technical sectors which currently account for approximately 90% of Group NFI. Additionally, this year we have started to implement selective initiatives to further develop this strategy.

### **elemense - RPO (Recruitment Process Outsourcing) Solution Provider**

Recruitment is becoming ever more sophisticated. Customers are looking to outsource more of their HR activities and are expecting their recruitment partner to deliver continuous improvement, value added services and creative recruitment solutions.

Over the last six years we have been enhancing our Master Vendor solutions. Our Managed Service Division has provided account management support and value added services to clients whilst our service delivery teams focused on candidate attraction. Whilst this model has been very successful, as demonstrated by our high direct fulfilment rates, it does have inherent limitations.

Accordingly we have launched elemense as a new brand for our Managed Service Division to enable us to better respond to the needs of the marketplace. Elemense enables us to deliver RPO services to a broader and more diverse client base. elemense's remit is unique within the Group, providing clients with a totally bespoke recruitment outsourcing service. The creation of elemense will allow us to develop our recruitment outsourcing service to encompass managed agency, neutral vendor and fully integrated RPO solutions as well as refining our current Master Vendor offering. Whatever the nature of the outsourcing solution, elemense will seek to provide the concept, design and delivery of these processes.

### **Inform (Recruitment Management System)**

Inform is a recruitment management system that has been developed in-house as a tool to support our Master Vendor solutions and manage our 2nd tier supply chain. A streamlined version of Inform has been re-engineered and is now available to all contingency and preferred supplier clients, enhancing our recruitment processes through people and technology working efficiently together.

Inform is a web based portal which facilitates the flow of information ensuring shared knowledge throughout the recruitment process. It allows clients to track the status of their vacancies on a 24/7 basis. It enables the client to view and modify their vacancy, view candidate CVs, arrange interviews and provide candidate feedback.

We see the advantage of offering this IT platform to all clients as a free value added service, helping to differentiate us from our competitors and protecting our margins through quality of service.

### **elemense**

The development of our services under the elemense brand to encompass managed agency, neutral vendor and fully integrated RPO will ensure we provide bespoke recruitment solutions for our clients.

### **International Recruitment**

The Group has taken a positive step into mainland Europe, selecting Germany as its first target country. Matchtech GmbH will focus on developing business within the German engineering markets, particularly within the Aerospace, Energy, Pharmaceutical and Automotive sectors.

Based in Stuttgart, our team will target new business as well as leveraging existing relationships with Matchtech's UK client base to accelerate growth.

The business will target both permanent placements and "labour leasing" operations (the equivalent of contract recruitment) and will use the existing database of UK candidates where possible while we develop a robust and high quality database of German engineers.

Whilst we will face challenges in the competitive German market, we believe the country's technical strength and capabilities present a real opportunity in the medium term.

By incorporating the best elements of our UK business model and adapting them to the German market we believe this can develop into a growing profit centre for Matchtech over the coming years.

### **Business development**

To improve the quality of our business development activities we have made a strategic investment in additional headcount and capability, especially within our bids team. Recruitment partnering and collaboration is dominating our bid and tender activity and we have taken a strategic view to submit a number of joint bids with both clients and partners.

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 are a young and vibrant organisation. Although we have a seasoned management team, many of our young graduate consultants have not encountered trading conditions similar to those we are experiencing at present. These challenging times have tested our staff and I am pleased to report that they have exceeded our expectations. Energy, enthusiasm, honesty and integrity along with team working and fun are Matchtech's values and this culture has been the fundamental reason why we continue to develop strong client relationships and candidate loyalty.

We have a resilient and flexible business model, a focused and talented team of people, and we are putting in place important elements of our longer term growth strategy. I am therefore confident that as the economic conditions improve Matchtech will come out of these challenging times a better equipped and more diverse organisation with stronger foundations for rapid growth.

**Adrian Gunn FIRP**  
**Chief Executive Officer**

## Chief Financial Officer's Report

In a year of tough trading conditions Matchtech has posted solid profits, and generated enough cash to maintain its dividend and reduce debt.

### Consolidated Income Statement

Matchtech's resilient business model has enabled us to adapt and change quickly with the economic slowdown, managing our cost base efficiently so as to minimise the impact of lower Net Fee Income ('NFI').

Headcount and costs have been reduced to levels commensurate with the prevailing market conditions and remain under regular review.

Revenue for the year increased to £269.6m, up 4% (2008: £258.8m) with H1 up 18% and H2 down 7%.

We experienced NFI growth in H1 of 8%, but the effects of the recession filtered through in H2 with NFI down by 23%.

NFI fell to £30.3m, down 9% (2008: £33.2m), mainly due to the fall in the volume of permanent fees but also reflecting the pressure from margin reductions demanded by clients.

Gross profit margin fell to 11.2% (2008: 12.8%). Gross profit margin on contract income fell from 2008: 9.0% to 2009 8.4%. In H1 gross profit margin on contract income was 8.6% and in H2 8.2%.

There was a significant fall in demand in the permanent marketplace in both Q3 and in Q4; further information is provided in the Business Review within the Chief Executive's Review, which forms part of the Directors' Report.

This has caused a change in our business mix with 73% (2008: 67%) of NFI derived from recurring contract income and 27% (2008: 33%) from permanent placements. We continue to be a contract led business but still maintain a healthy balance between contract and permanent business.

Despite the slowdown, the management of our cost base has allowed us to maintain high net fee income conversion to operating profit. Our low cost single site operating model has allowed us to flexibly manage our overheads.

A reduction in staff numbers, the ability to transfer good staff within the single site to busier sectors and the high variable proportion of staff remuneration has mitigated some of the loss of net fee income. The one-time costs of the staff reductions were less than £0.1m and are not considered exceptional. The savings in the year were c£0.4m with full year expected savings in 2010 of c£1.7m. In July 2009 the Board took the difficult decision, based upon the current economic conditions and the staff reductions made, not to award annual pay increases effective from 1 August 2009, apart from promotions.

Advertising and marketing costs have fallen as the number of available candidates has increased. Costs in H2 of £0.4m were one third lower than 2008 H2, with expected full year savings in 2010 of c£0.4m.

There was also a write back of previous years' IFRS2 share based payment charges of £0.6m in respect of the 2006 and 2007 Long Term Incentive Plan ('LTIP') share option grants to staff, with the 2006 LTIP grant having lapsed due to both the EPS target and Total Shareholder Return target not being met and the 2007 LTIP grant now considered highly unlikely to vest. The current year charge is a further £0.5m lower than it would have been had the options remained likely to vest in full.

Operating profit fell by 15% to £11.6m (2008: £13.8m). H1 was up by 3% and H2 down by 30%. NFI conversion to operating profit remained very respectable at 38.6% down from 41.6% in 2008.

Finance costs have fallen to £0.4m (2008: £1.0m) due to lower interest rates and, as we continue to generate cash, reduced net debt.

Profit before tax fell by 12.0 % to £11.3m (2008: £12.8m).

The effective tax rate for the year was 29% (2008: 29.0%) giving profit after tax of £8.0m, down 12% (2008: £9.1m).

Basic Earnings Per Share fell by 13% to 34.37p (2008: 39.34p) and Diluted Earnings Per Share by 10% to 34.35p (2008: 38.25p).

### Dividends

The Board has proposed a 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 20 November 2009, will be payable on 4 December 2009 to those shareholders registered on 6 November 2009. This makes a total dividend for the year of 15.6 pence per share (2008: 15.6 pence) when added to the interim dividend of 5.0 pence per share, giving a dividend cover of 2.2 times (2008: 2.5 times).

Between 1 December 2003 and 30 June 2009, the Company paid dividends amounting to £20.2m. Although the company had sufficient distributable reserves to make each dividend payment, the relevant interim accounts reflecting these profits were not prepared and filed at the appropriate time with the Registrar of Companies as required by the Companies Acts 1985 and 2006. Consequently payment of £15.7m of those dividends, including the £3.626m paid in the year to 31 July 2009, did not comply with the technical requirements of the Companies Acts 1985 and 2006. Since 31 July 2009, as a matter of good governance and to reflect the adequacy of distributable reserves, interim accounts have been filed with the Registrar of Companies, and the Company will put a resolution to the shareholders at the forthcoming AGM for their approval to take the necessary steps to remedy the situation. Further information will be provided in the notice of the AGM. These accounts have been drawn up on the basis that the infringement referred to above is regularised by the actions to be proposed to shareholders at the forthcoming AGM. The proposals do not affect the results of the Group for the year to 31 July 2009, its net assets at 31 July 2009, nor its ability to pay future dividends.

### **Group Balance Sheet**

Group net assets stood at £21.2m (2008: £17.1m).

The Company had 23.3m fully paid ordinary shares in issue at 31 July 2009 (2008: 23.2m).

Current debtor days at the year end, based upon the preceeding three months revenue, were 41.7 days (31 July 2008: 40.1 days; 31 January 2009: 41.8 days). At 31 July 2009 £0.2m (2008: £0.3m) of the £33.0m debtor book were greater than 60 days overdue, less than 0.5%.

### **Capital Expenditure**

The Board took swift action in November, with the first signs of the recession affecting Matchtech, to significantly reduce capital expenditure. Since September no new cars and only essential office and computer equipment have been purchased resulting in capital expenditure in the year of £0.4m (£0.4m in H1 and £0.0m in H2) 50% down on 2008.

### **Net Debt**

Net debt fell by £1.9m to £1.2m (2008: £3.1m).

The Group operates a Confidential Invoice Discounting facility with Barclays Bank plc, committed until March 2011. The facility ceiling currently stands at the lower of £20m or 90% of qualifying invoiced debtors. The Group also has a £7.5m Revolving Credit facility with Barclays Bank plc, committed until May 2011.

At 31 July 2009 the balance on the Confidential Invoice Discounting Facility was £1.5m and the borrowings from the Revolver Credit facility were zero. The utilisation of all borrowing facilities as at 31 July 2009 was less than 6%.

### **Group Cashflow**

The Group continues to be cash generative at an operating level. Operating cash conversion in 2009, defined by net cash inflow from operating activities as a percentage of operating profit, was 83% (2008: 108%).

### **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 confidential sales ledger financing.

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 £1.2m at the year end, comprising £1.5m of debt less £0.3m of cash.

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

#### **• Credit risk**

The Group trades only with recognised, creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 3% of total receivables balances at 31 July 2009.

#### **• 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 FCMA**  
**Chief Financial Officer**

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 July 2009

	Note	2009 £'000	2008 £'000
Revenue		269,581	258,830
Cost of Sales		(239,314)	(225,596)
<b>GROSS PROFIT</b>	2	<b>30,267</b>	33,234
<b>Administrative expenses</b>		<b>(18,622)</b>	(19,442)
<b>OPERATING PROFIT</b>	3	<b>11,645</b>	13,792
Finance income		9	79
Finance cost	5	(376)	(1,074)
<b>PROFIT BEFORE TAX</b>		<b>11,278</b>	12,797
Income tax expense	8	(3,288)	(3,705)
<b>PROFIT FOR THE PERIOD</b>		<b>7,990</b>	9,092

### EARNINGS PER ORDINARY SHARE

	Note	2009 pence	2008 pence
Basic	9	34.37	39.34
Diluted	9	34.35	38.25

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 July 2009

**A) GROUP**

	Share Capital £'000	Share premium £'000	Other reserve £'000	Share based payment reserve £'000	Retained Earnings £'000	Total £'000
<b>At 1 August 2007</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	9,092	9,092
Total recognised income/expense for the year	0	0	0	0	9,092	9,092
Dividends in the year	0	0	0	0	(3,310)	(3,310)
Deferred tax movement re share options	0	0	0	0	(296)	(296)
IFRS2 credit	0	0	0	539	0	539
IFRS2 reserves transfer	0	0	0	(131)	131	0
New share capital	2	216	0	0	0	218
	2	216	0	408	(3,475)	(2,849)
<b>At 31 July 2008</b>	<b>232</b>	<b>3,045</b>	<b>224</b>	<b>794</b>	<b>12,771</b>	<b>17,066</b>
<b>At 1 August 2008</b>	<b>232</b>	<b>3,045</b>	<b>224</b>	<b>794</b>	<b>12,771</b>	<b>17,066</b>
Profit for the year	0	0	0	0	7,990	7,990
Total recognised income/expense for the year	0	0	0	0	7,990	7,990
Dividends in the year	0	0	0	0	(3,626)	(3,626)
Deferred tax movement re share options	0	0	0	0	(39)	(39)
IFRS2 credit	0	0	0	(156)	0	(156)
IFRS2 reserves transfer	0	0	0	(88)	88	0
	0	0	0	(244)	(3,577)	(3,821)
<b>At 31 July 2009</b>	<b>232</b>	<b>3,045</b>	<b>224</b>	<b>550</b>	<b>17,184</b>	<b>21,235</b>

**B) COMPANY**

	Share Capital £'000	Share premium £'000	Retained Earnings £'000	Total £'000
<b>At 1 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	3,321
Total recognised income/expense for the year	0	0	3,321	3,321

New share capital	2	216	0	<b>218</b>
Dividends paid in the year	0	0	(3,310)	<b>(3,310)</b>
<b>At 31 July 2008</b>	<b>232</b>	<b>3,045</b>	<b>59</b>	<b>3,336</b>
<b>At 1 August 2008</b>	<b>232</b>	<b>3,045</b>	<b>59</b>	<b>3,336</b>
Profit for the year	0	0	3,632	<b>3,632</b>
Total recognised income/expense for the year	0	0	3,632	<b>3,632</b>
New share capital	0	0	0	<b>0</b>
Dividends paid in the year	0	0	(3,626)	<b>(3,626)</b>
<b>At 31 July 2009</b>	<b>232</b>	<b>3,045</b>	<b>65</b>	<b>3,342</b>

A dividend will be declared from Matchtech Group UK Limited prior to the payment of the proposed dividend outlined in note 6.

## BALANCE SHEETS as at 31 July 2009

	Note	GROUP		COMPANY	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>NON-CURRENT ASSETS</b>					
Intangible assets	10	151	170	0	0
Property, plant and equipment	11	1,546	1,809	0	0
Investments	13	0	0	272	250
Deferred tax asset	12	99	292	0	0
<b>Total Non-Current Assets</b>		<b>1,796</b>	<b>2,271</b>	<b>272</b>	<b>250</b>
<b>CURRENT ASSETS</b>					
Trade and other receivables	14	32,903	38,565	2,989	2,880
Cash and cash equivalents		307	297	82	211
<b>Total Current Assets</b>		<b>33,210</b>	<b>38,862</b>	<b>3,071</b>	<b>3,091</b>
<b>TOTAL ASSETS</b>		<b>35,006</b>	<b>41,133</b>	<b>3,343</b>	<b>3,341</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	15	(10,933)	(18,930)	0	0
Current tax liability		(1,368)	(1,788)	(1)	(5)
Bank loans and overdrafts	20	(1,470)	(3,349)	0	0
		(13,771)	(24,067)	(1)	(5)
<b>Non-current liabilities</b>					
Long term borrowings		0	0	0	0
<b>TOTAL LIABILITIES</b>		<b>(13,771)</b>	<b>(24,067)</b>	<b>(1)</b>	<b>(5)</b>
<b>NET ASSETS</b>		<b>21,235</b>	<b>17,066</b>	<b>3,342</b>	<b>3,336</b>
<b>EQUITY</b>					
Called-up equity share capital	18	232	232	232	232
Share premium account		3,045	3,045	3,045	3,045
Merger reserve		224	224	0	0
Share based payment reserve		550	794	0	0
Profit and loss account		17,184	12,771	65	59
<b>TOTAL EQUITY</b>		<b>21,235</b>	<b>17,066</b>	<b>3,342</b>	<b>3,336</b>

These financial statements were approved by the directors on the 7th October 2009, and signed on its behalf by:

Tony Dyer  
Chief Financial Officer

**CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 July 2009**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit after taxation	<b>7,990</b>	9,092	<b>3,632</b>	3,321
Adjustments for:				
Depreciation	<b>626</b>	643	<b>0</b>	0
Loss on disposal of property, plant and equipment	<b>2</b>	27	<b>0</b>	0
Interest income	<b>(9)</b>	(79)	<b>(4)</b>	(16)
Interest expense	<b>376</b>	1,074	<b>0</b>	0
Taxation expense recognised in profit and loss	<b>3,288</b>	3,705	<b>2</b>	5
Decrease/ (increase) in trade and other receivables	<b>5,662</b>	(6,385)	<b>(109)</b>	(678)
(Decrease)/ increase in trade and other payables	<b>(7,997)</b>	6,313	<b>0</b>	0
Share based payment (credit)/ charge	<b>(156)</b>	540	<b>0</b>	0
Investment income	<b>0</b>	0	<b>(3,626)</b>	(3,309)
Cash generated from operations	<b>9,782</b>	14,930	<b>(105)</b>	(677)
Interest paid	<b>(376)</b>	(1,074)	<b>0</b>	0
Income taxes paid	<b>(3,554)</b>	(3,241)	<b>(6)</b>	(2)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>5,852</b>	10,615	<b>(111)</b>	(679)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of plant and equipment	<b>(340)</b>	(794)	<b>0</b>	0
Purchase of intangible assets	<b>(39)</b>	(86)	<b>0</b>	0
Investment in subsidiaries	<b>0</b>	0	<b>(22)</b>	0
Proceeds from sale of plant	<b>33</b>	62	<b>0</b>	0
Interest received	<b>9</b>	79	<b>4</b>	16
Dividend received	<b>0</b>	0	<b>3,626</b>	3,309
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(337)</b>	(739)	<b>3,608</b>	3,325
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of share capital	<b>0</b>	218	<b>0</b>	218
Repayments to invoice discounting facility	<b>(1,769)</b>	(7,257)	<b>0</b>	0
Dividends paid	<b>(3,626)</b>	(3,309)	<b>(3,626)</b>	(3,309)
<b>NET CASH USED IN FINANCING</b>	<b>(5,395)</b>	(10,348)	<b>(3,626)</b>	(3,091)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	<b>120</b>	(472)	<b>(129)</b>	(445)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>187</b>	659	<b>211</b>	656
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>307</b>	187	<b>82</b>	211

GROUP		COMPANY	
2009	2008	2009	2008
£'000	£'000	£'000	£'000

**ANALYSIS OF CASH AND CASH EQUIVALENTS**

Cash	<b>307</b>	297	<b>82</b>	211
Bank overdraft	<b>0</b>	(110)	<b>0</b>	0
	<b>307</b>	187	<b>82</b>	211

## NOTES forming part of the financial statements

### 1 THE GROUP AND COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

#### i The business and address of the Group

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

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

The financial 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 2009.

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.

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

#### 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.

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

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

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

#### **xii 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.

#### **xiii 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 a provision is made where an impairment value is deemed to have occurred.

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

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

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

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

#### **xiv 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.

#### **xv Cash and cash equivalents**

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

#### **xvi 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.

#### **xvii 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.
- "Profit and loss reserve" represents retained profits.

#### **xviii**

##### **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.

## **xix Employee Benefit Trust**

The Employee Benefit Trust was wound up during the year.

## **xx Significant accounting estimates and judgements**

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

### **Critical judgements**

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

#### *Invoice discounting facility*

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

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

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

#### *Estimated useful lives of property, plant and equipment*

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

#### *Impairment loss of trade and other receivables*

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

#### *Share based payments*

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

## **xxi Employee benefits**

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

## 2 SEGMENTAL INFORMATION

The revenue, gross profit and profit before tax are attributable to the one principal activity of the group. The group's primary segment is industry segment and its secondary is geographical.

A segmental analysis of revenue is given below:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Engineering	<b>153,170</b>	147,977
Built Environment	<b>68,706</b>	69,186
Professional Services	<b>47,705</b>	41,667
<b>Total</b>	<b>269,581</b>	258,830

A segmental analysis of gross profit is given below:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Engineering	<b>15,864</b>	16,786
Built Environment	<b>7,441</b>	9,039
Professional Services	<b>6,962</b>	7,409
<b>Total</b>	<b>30,267</b>	33,234

A segmental analysis of operating profit is given below:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Engineering	<b>6,853</b>	7,562
Built Environment	<b>3,013</b>	3,977
Professional Services	<b>1,779</b>	2,253
<b>Total</b>	<b>11,645</b>	13,792

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.

## 3 OPERATING PROFIT

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is stated after charging:		
Depreciation	<b>568</b>	594
Amortisation	<b>58</b>	49
Loss on disposal of property, plant and equipment	<b>2</b>	31
Auditors' remuneration: - fees payable for the audit of the financial statements	<b>40</b>	39
- taxation	<b>5</b>	4
- other services pursuant to legislation	<b>18</b>	14
Operating lease costs: - Plant and machinery	<b>11</b>	12
- Land and buildings	<b>510</b>	536
Net loss/ (profit) on foreign currency translation	<b>5</b>	(6)

#### **4 PARTICULARS OF EMPLOYEES**

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

	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>
Selling	<b>229</b>	215
Administration	<b>60</b>	60
Directors	<b>7</b>	7
<b>Total</b>	<b>296</b>	282

The aggregate payroll costs of the above were:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>11,217</b>	11,394
Social security costs	<b>1,207</b>	1,325
Other pension costs	<b>899</b>	744
<b>Total</b>	<b>13,323</b>	13,463

Disclosure of the remuneration of Key Management Personnel, as required by IAS 24, is covered by the audited part of the Directors' Remuneration Report, since only the statutory Directors are considered to be key management personnel.

#### **5 FINANCE COSTS**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest payable	<b>376</b>	1,074

## 6 DIVIDENDS

	2009	2008
	£'000	£'000
Equity dividends paid during the year at 15.6 pence per share (2008: 14.3p)	3,626	3,310
Equity dividends proposed after the year-end (not recognised as a liability) at 10.6 pence per share (2008: 10.6p)	2,467	2,462

Between 1 December 2003 and 30 June 2009, the Company paid dividends amounting to £20.2m. Although the company had sufficient distributable reserves to make each dividend payment, the relevant interim accounts reflecting these profits were not prepared and filed at the appropriate time with the Registrar of Companies as required by the Companies Acts 1985 and 2006. Consequently payment of £15.7m of those dividends, including the £3.626m paid in the year to 31 July 2009, did not comply with the technical requirements of the Companies Acts 1985 and 2006. Since 31 July 2009, as a matter of good governance and to reflect the adequacy of distributable reserves, interim accounts have been filed with the Registrar of Companies, and the Company will put a resolution to the shareholders at the forthcoming AGM for their approval to take the necessary steps to remedy the situation. Further information will be provided in the notice of the AGM. These accounts have been drawn up on the basis that the infringement referred to above is regularised by the actions to be proposed to shareholders at the forthcoming AGM. The proposals do not affect the results of the Group for the year to 31 July 2009, its net assets at 31 July 2009, nor its ability to pay future dividends.

## 7 PARENT COMPANY PROFIT

	2009	2008
	£'000	£'000
The amount of profit dealt with in the accounts of the company is	3,632	3,321

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

	2009	2008
	£'000	£'000
Current Tax:		
UK corporation tax	3,128	3,932
Prior year under/ (over) provision	6	(77)
	<b>3,134</b>	3,855
Deferred tax (note 12)	154	(150)
<b>Income tax expense</b>	<b>3,288</b>	3,705

UK corporation tax has been charged at 28% (2008 – 29.33%). The standard rate of UK Corporation Tax was changed from 30% to 28% on 1 April 2008 therefore in the prior year the hybrid rate of 29.33% was applied.

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

2009	2008
£'000	£'000

Profit before tax	<b>11,278</b>	12,797
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 29.33%)	<b>3,158</b>	3,753
Expenses not deductible for tax purposes	<b>23</b>	18
Deferred tax asset not provided for due to fall in share price	<b>155</b>	0
Enhanced R&D tax relief	<b>(54)</b>	0
Change in deferred tax rate	<b>0</b>	11
Adjustments to tax charge in respect of previous periods	<b>6</b>	(77)
<b>Total tax charge for period</b>	<b>3,288</b>	3,705

Tax charge/(Credit) recognised directly in equity:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Current tax recognised directly in equity	<b>0</b>	(91)
Deferred tax recognised directly in equity	<b>(39)</b>	387
<b>Total tax recognised directly in equity</b>	<b>(39)</b>	296

## 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 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 fallen significantly due to; the share price falling below the exercise price of the EMI options granted in 2005; the lapse of the November 2006 and January 2007 LTIP options due to performance conditions not being met; and as at the date of this report the November 2007 and November 2008 LTIP options performing below the required TSR target.

The earnings per share information has been calculated as follows:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Profit after tax attributable to ordinary shareholders	<b>7,990</b>	9,092
	<b>2009</b>	<b>2008</b>
	<b>'000s</b>	<b>'000s</b>
Weighted average number of ordinary shares in issue	<b>23,244</b>	23,111
Effect of dilutive potential ordinary shares	<b>14</b>	660
<b>Total</b>	<b>23,258</b>	23,771
	<b>2009</b>	<b>2008</b>
	<b>pence</b>	<b>pence</b>
Earnings per ordinary share	<b>34.37</b>	39.34
	<b>34.35</b>	38.25
	<b>- basic</b>	
	<b>- diluted</b>	

## 10 INTANGIBLE ASSETS

### Group

		Software Licences £'000
<b>COST</b>	At 1 August 2007	187
	Additions	86
	At 1 August 2008	273
	Additions	39
	<b>At 31 July 2009</b>	<b>312</b>
<b>AMORTISATION</b>	At 1 August 2007	54
	Charge for the year	49
	At 1 August 2008	103
	Charge for the year	58
	<b>At 31 July 2009</b>	<b>161</b>
<b>NET BOOK VALUE</b>	At 31 July 2008	170
	<b>At 31 July 2009</b>	<b>151</b>

## 11 PROPERTY, PLANT AND EQUIPMENT

### Group

		Motor Vehicles £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
<b>COST</b>	At 1 August 2007	1,407	1,311	744	3,462
	Additions	472	190	131	793
	Disposals	(155)	(114)	(11)	(280)
	At 1 August 2008	1,724	1,387	864	3,975
	Additions	271	26	43	340
	Disposals	(140)	(11)	(272)	(423)
	<b>At 31 July 2009</b>	<b>1,855</b>	<b>1,402</b>	<b>635</b>	<b>3,892</b>

<b>DEPRECIATION</b>	At 1 August 2007	643	697	423	1,763
	Charge for the year	275	174	145	594
	Released on disposal	(105)	(75)	(11)	(191)
	At 1 August 2008	813	796	557	2,166
	Charge for the year	285	151	132	568
	Released on disposal	(105)	(11)	(272)	(388)
	<b>At 31 July 2009</b>	<b>993</b>	<b>936</b>	<b>417</b>	<b>2,346</b>

<b>NET BOOK VALUE</b>	At 31 July 2008	911	591	307	1,809
	<b>At 31 July 2009</b>	<b>862</b>	<b>466</b>	<b>218</b>	<b>1,546</b>

There were no capital commitments as at 31 July 2009 (2008: £nil)

## 12 DEFERRED TAX

### GROUP

<b>2009</b>	<b>2008</b>
<b>£'000</b>	<b>£'000</b>

The deferred tax asset is represented by:

Temporary difference on share based payments

At start of year	292	529
Recognised in income	(154)	150
Recognised in equity	(39)	(387)
<b>At end of year</b>	<b>99</b>	<b>292</b>

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

## 13 INVESTMENTS

### COMPANY

<b>2009</b>	<b>2008</b>
<b>£'000</b>	<b>£'000</b>

Movement in investment in group companies – Investment in Matchtech GmbH	<b>22</b>	0
<b>Investment in group companies at end of the year</b>	<b>272</b>	250

### 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
Matchtech GmbH	Germany	Ordinary	100%	Provision of recruitment consultancy

## 14 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade receivables	32,623	38,298	0	0
Amounts owed by group companies	0	0	2,989	2,880
Other receivables	76	49	0	0
Prepayments	204	218	0	0
<b>Total</b>	<b>32,903</b>	<b>38,565</b>	<b>2,989</b>	<b>2,880</b>

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

Days sales outstanding at the year end based upon the preceding three months revenue were 41.7 days (2008: 40.1 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 £2,660,000 (2008: £6,293,000) which are past due at the reporting date for which the Group has not provided as the Directors do not believe there has been a significant change in credit quality and consider the amounts to be recoverable in full. The Group does not hold any collateral over these balances.

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

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

Ageing of past due but not impaired trade receivables

	2009	2008
	£'000	£'000
0-30 days	2,413	5,558
30-60 days	194	619
60-90 days	38	29
90+ days	15	87
	<b>2,660</b>	<b>6,293</b>

Movement in the allowance for doubtful debts

	2009	2008
	£'000	£'000
Balance at the beginning of the period	199	183
Impairment losses recognised	161	16

	360	199
Ageing of impaired trade receivables		
	2009	2008
	£'000	£'000
Not past due at reporting date	126	0
0-30 days	68	0
30-60 days	66	0
60-90 days	40	0
90+ days	60	199
	360	199

## 15 TRADE AND OTHER PAYABLES

	Group	
	2009	2008
	£'000	£'000
Trade payables	106	149
Taxation and Social Security	2,700	5,049
Other payables	5,326	10,667
Accruals and deferred income	2,801	3,065
<b>Total</b>	<b>10,933</b>	<b>18,930</b>

## 16 FINANCIAL ASSETS AND LIABILITIES BALANCE SHEET CLASSIFICATION

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

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

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade and other receivables				
- Loan and receivables	32,699	38,347	2,989	2880
Cash and cash equivalents				
- Loan and receivables	307	297	82	211
<b>Total</b>	<b>33,006</b>	<b>38,644</b>	<b>3,071</b>	<b>3,091</b>

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

	Group	
	2009	2008
	£'000	£'000
<b>Current liabilities</b>		

Borrowings		
- Financial liabilities recorded at amortised cost	1,470	3,349
Trade and other payables		
- Financial liabilities recorded at amortised cost	8,233	13,881
<b>Non current liabilities</b>		
Borrowings		
- Financial liabilities recorded at amortised cost	0	0
<b>Total</b>	<b>9,703</b>	<b>17,230</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 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.

## 17 COMMITMENTS UNDER OPERATING LEASES

At 31 July 2009 the group had commitments to pay the following amounts under non-cancellable operating leases as set out below.

			Group		Company	
			2009	2008	2009	2008
			£'000	£'000	£'000	£'000
At 31 July 2009 the group had commitments to pay the following amounts under non-cancellable operating leases as set out below.						
<b>Land/buildings</b>	Leases falling due:	within 1 year	532	532		
		within 1 to 5 years	1,323	1,523	0	0
		after 5 years	784	1,069	0	0
<hr/>						
<b>Other</b>	Leases falling due:	within 1 year	11	3	0	0
		within 1 to 5 years	15	9	0	0

The lease on 1400 Parkway, which expires in March 2017 has a break clause exercisable in June 2011. The payments due have therefore been shown in the 'within 1 year' and 'within 1 to 5 years' categories. There are no applicable renewal clauses in the current lease agreements.

## 18 SHARE CAPITAL

### Authorised share capital

	2009	2008
	£'000	£'000
40,000,000 Ordinary shares of £0.01 each	400	400

### Allotted, called up and fully paid:

2009	2008
------	------

	£'000	£'000
23,273,000 (2008: 23,230,000) Ordinary shares of £0.01 each	232	232

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

Date	Ordinary shares issued	Share premium received pence per share	Consideration received £
<b>At 01/08/2008</b>	<b>23,029,195</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
15/04/2008	4,587	145	6,697
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>At 31/7/2008</b>	<b>23,229,943</b>		<b>225,520</b>
30/11/2008	3,571	0	36
05/01/2009	2,218	0	22
30/01/2009	2,433	0	24
03/03/2009	2,847	0	28
31/03/2009	3,050	0	31
23/04/2009	19,469	0	195
05/05/2009	3,593	0	36
02/06/2009	2,912	0	29
03/07/2009	2,944	0	29
<b>Total</b>	<b>23,272,980</b>		<b>225,950</b>

### Share Options

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

	2009 '000s	2008 '000s	Date of grant	Exercise price pence		
Key Share Options	24	24	18/06/2004	70	18/06/2005	18/06/2014
Key Share Options	0	0	08/11/2004	89	08/11/2005	08/11/2014
Key Share Options	142	142	01/12/2005	146	01/06/2007	01/12/2015
Target/Loyalty Share Options	3	3	05/03/2003	70	14/07/2005	05/03/2013
Target/Loyalty Share Options	2	2	18/06/2004	70	18/06/2005	18/06/2014
Target/Loyalty Share Options	1	2	08/11/2004	89	14/07/2006	08/11/2014
Target/Loyalty Share Options	24	26	01/12/2005	146	01/12/2006	01/12/2015
Long Term Incentive Plan Options	0	260	26/10/2006	1	27/10/2009	27/10/2016

Long Term Incentive Plan Options	0	7	26/01/2007	1	26/01/2010	25/01/2017
Long Term Incentive Plan Options	259	292	15/11/2007	1	15/11/2010	14/11/2017
Long Term Incentive Plan Options	601	0	14/11/2008	1	14/11/2010	13/11/2018
<b>Total</b>	<b>1,056</b>	<b>758</b>				

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

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 movement of LTIP's in the year are shown below.

	2009			2008		
	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1 August	758	75.6		660	75.6	
Granted	662	1.0		302	1.0	
Forfeited/ lapsed	364	3.1		33	29.9	
Exercised	-	-		171	122.8	361.0
<b>Outstanding at 31 July</b>	<b>1,056</b>	<b>75.6</b>		<b>758</b>	<b>75.6</b>	
<b>Exercisable at 31 July</b>	<b>197</b>	<b>134.3</b>		<b>199</b>	<b>134.2</b>	

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

<i>Exercise Date</i>	2009			2008		
	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)
27/10/2009	0	0	0.0	15	260	1.0
30/01/2010	0	0	1.0	18	7	1.0
06/11/2010	15	259	1.0	27	292	1.0
14/11/2011	27	601	1.0	0	0	0.0
<b>Total</b>		<b>860</b>			<b>559</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 (£)
27/11/2006	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
14/11/2008	LTIP	2.17	0.01	17.0%	3.00	7%	2.8%	1.28
30/11/2008	SIP	2.10	0.01	N/A	3.00	N/A	N/A	2.10
05/01/2009	SIP	2.02	0.01	N/A	3.00	N/A	N/A	2.02
30/01/2009	SIP	1.92	0.01	N/A	3.00	N/A	N/A	1.92
03/03/2009	SIP	1.59	0.01	N/A	3.00	N/A	N/A	1.59
31/03/2009	SIP	1.52	0.01	N/A	3.00	N/A	N/A	1.52
23/04/2009	SIP	1.52	0.01	N/A	3.00	N/A	N/A	1.52
05/05/2009	SIP	1.29	0.01	N/A	3.00	N/A	N/A	1.29
02/06/2009	SIP	1.44	0.01	N/A	3.00	N/A	N/A	1.44
03/07/2009	SIP	1.42	0.01	N/A	3.00	N/A	N/A	1.42
31/07/2009	SIP	1.30	0.01	N/A	3.00	N/A	N/A	1.30

- 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 UK risk free rate of appropriate term. Source: Bank of England website.

- The IFRS2 credit recognised in the income statement for the year ended 31 July 2009 is £155,581, (2008: charge of £538,916). The November 2007 LTIP has been deemed unlikely to vest due to the growth required in the remaining year being very challenging in the current economic climate. We have deemed that as the November 2008 LTIP is only one year through the three year target period, it is possible that the LTIP will vest in full.

- 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

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 £2,462,000 on 1 December 2008 and £1,163,000 on 17 June 2009 there are no other related party transactions in the company accounts.

## 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 2009 was as follows:

	GROUP		COMPANY	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
In less than one year or on demand:				
Bank overdrafts	0	110	0	0
Working capital facility	1470	3,239	0	0
Trade and other payables	8,233	13,881	0	0
	<b>9,703</b>	<b>17,230</b>	<b>0</b>	<b>0</b>

### Borrowing facilities

(i) The Group has a revolving credit facility whereby it 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 2009 of the Working Capital facility in respect of which all conditions precedent had been met was as follows:

	Group	
	2009 £'000	2008 £'000
Expiring in one year or less	<b>18,530</b>	16,760

The working capital facility is secured on the total assets of the group as explained in note 16.

The working capital facility was reviewed by the facility providers in September 2009 and renewed for a further twelve months.

The Director's have calculated that the effect on profit of a 1% movement in interest rates would be £80,000.

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

### Net foreign currency monetary assets

	Group	
	2009 £'000	2008 £'000

## 21 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 January 2009
IFRIC 12	Service Concession Arrangements	30 March 2009
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 October 2008
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2009
IFRS7	Financial Instruments – Improving Disclosures	1 January 2009

Based on the Group's current business model and accounting policies, the Directors does not expect material impacts on the figures in the Group's financial statements when the interpretations become effective. They do not anticipate a significant impact on disclosures in the financial statements arising from IAS1 (Revised 2007) which requires changes to the formats of the primary statements. IFRS8 requires segmental reporting to be based on the internal reporting reviewed regularly by the Chief Operating Decision Maker. The Directors do not expect that the segments presented under this new standard will differ from those in these financial statements.

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

## 22 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Matchtech Group plc's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and to provide an adequate return to shareholders.
- by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

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

<b>2009</b>	<b>2008</b>
<b>£'000</b>	<b>£'000</b>

Total equity	<b>21,235</b>	17,066
Cash and cash equivalents	<b>(307)</b>	(297)
Capital	<b>20,928</b>	16,769
<hr/>		
Total equity	<b>21,235</b>	17,066
Cash and cash equivalents	<b>1,470</b>	3,349
Capital	<b>22,705</b>	20,415
<hr/>		
Capital to overall financing ratio	92%	82%