matchtech®
GROUP PLC

Annual Report & Accounts 2007

Engineering & Science

Matchtech is one of the UK's largest engineering recruitment companies. We cover all disciplines in Engineering & Science from concept through to commissioning and maintenance.

Built Environment

Matchtech is a leading construction recruitment agency covering the entire UK. We provide professional personnel of all disciplines for projects from inception through to on-site completion to facilities management.

Support Services

Matchtech's recruitment services cover business and IT appointments. Our IT, Procurement and Commercial divisions provide personnel to a wide range of clients across all industry sectors.

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Group Chairman's Statement

George Materna

A successful AIM flotation in October 2006 has enabled new shareholders to participate in the success of the Group, with substantial and entirely organic growth in turnover and profitability across every sector of the business.

Matchtech Results

Matchtech has continued to perform very well over the past year and delivered another excellent set of results. These are our first full year results since our listing on AIM in October 2006 and I am delighted that our new shareholders are able to share in the continuing success of the Group.

There was substantial growth in turnover and profitability across every sector of the business all of which was organic growth. Strong trading has resulted in turnover of £202.8 million (up 29% over 2006) and net fee income of £26.9 million (up 29%).

Operating profit and profit before tax (excluding non-recurring items, mainly arising from the AIM listing) were £11.3m (up 38%) and £10.5m (up 36%) respectively.

We continue to build on our long and consistent track record of organic growth, proving to be a top quality operator with a strong presence in our core industry sectors. We strengthened our ranking as one of the largest recruitment companies in the UK and as well as our position as the UK's biggest single site agency.

Our strategy is proving highly successful as the business base broadens and we develop long term relationships with major clients.

Matchtech non-recurring items

In discussing the performance of the business unless otherwise stated, all comparisons are made excluding 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 £0.6m non-recurring costs of the flotation in October 2006.

Matchtech earnings per share and dividends

Excluding the above non-recurring items, underlying basic earnings per share were 36.02p (up 36.9%), and fully diluted earnings per share were 35.15p (up 39.0%).

The Board has proposed a final dividend for the year of 9.3 pence per share, which when added to the interim dividend of 4.4 pence per share, makes a total dividend for the year of 13.7 pence per share. The final dividend, if approved by shareholders at the Annual General Meeting to be held on 23 November 2007 will be payable on 30 November 2007 to shareholders on the register on 9 November 2007.

Matchtech Staff

Our staff have shown a commitment to clients, candidates and contractors – a commitment which the Board believes differentiates us from many of our competitors. This team performance provides the ultimate competitive advantage. Sustained organic growth has come from recruiting and training the most talented people and providing them with our distinctive culture of personal challenge and team support which makes Matchtech such a vibrant and enjoyable place to be.

I would again like to record the Board's appreciation for the dedication and commitment of all our staff.

Matchtech Board

Adrian Gunn, formerly Deputy Managing Director and Sales Director, took over as Group Managing Director on 1 February 2007, with Paul Raine reverting to a Group Resources Director role. The Board thanks Paul for his leadership during his tenure as Group Managing Director and looks forward to his continued contribution as part of an unchanged executive team.

In achieving these strong results and growth in profits, the Executive Directors have demonstrated exceptional operational leadership in the day to day management of the business. The strength of our team allows rapid decision-making and execution of the Group's strategy.

The Executive directors have been supported by a high quality non-executive team of Stephen Burke, Ric Piper and Andy White. Their independent judgement has significantly strengthened the Board as a whole during our first year as a listed company.

Matchtech Outlook

Businesses work in a competitive market where the battle for talent, the drive for efficiency and the need for flexibility have all led to greater efforts to reach candidates and contractors. They compete on the combined abilities of their employees. Finding the right people matters.

Over the coming years, the UK workforce is set to become even more diverse, reflecting society trends, a longer living and working population, greater ethnic diversity, increased immigration and more working women. Here our industry plays an essential role as intermediary, helping business to understand and welcome these changes and encouraging people from this new talent pool to enter or return to the workforce. The ability to reach passive as well as active candidates and contractors has become and will continue to be increasingly important.

The outlook in our marketplace continues to be positive. Labour demand across all our sectors remains healthy for this looks set to continue for the foreseeable future. The shortage of good quality candidates and contractors and Matchtech's ability to identify and secure the right people for our clients are key factors in our success. This combination of confidence in UK businesses and shortages of qualified engineers and other white collar professionals should ensure continued buoyant recruitment conditions for Matchtech to capitalise on.

Matchtech's strategy continues unchanged. We intend to stay focused on our core competency of specialist recruitment and organically grow existing operations, while developing new markets. The Board anticipates another successful year for the Group and its shareholders as a whole.

George Materna
Group Chairman

Group Managing Director's Report

Adrian Gunn

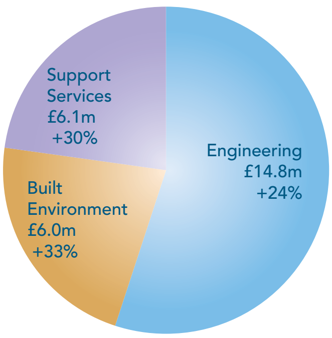
Continuing to strengthen its position within the UK recruitment market, Matchtech has welcomed life as an AIM-listed company which has focused the staff and the management team to deliver excellent growth.

Our Performance

Matchtech has continued to strengthen its position within the UK recruitment market. This was supported by our flotation, which has continued to focus staff and the management team to deliver excellent growth.

We are pleased to report that our maiden set of results as an AIM-listed company has produced pre-tax profits (excluding non-recurring items) of £10.5m compared to £7.7m in 2006. This performance is even more pleasing as we have produced strong organic growth across all three of our operating sectors.

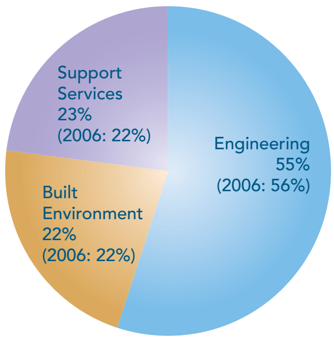
2007 Sector NFI Growth



The UK recruitment market is currently enjoying strong market conditions, especially in permanent recruitment and this is reflected in our 39% growth in permanent fees to £8.5m.

The combination of high demand and the shortage of skilled permanent candidates is also driving the demand for contract and temporary workers. Our responsive service delivery teams have taken advantage of this situation and have driven contract recruitment to growth of 23% in 2007.

2007 Sector NFI Split

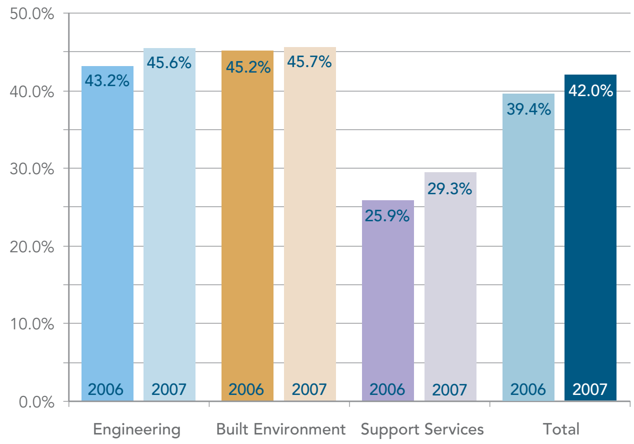


Our focus for the year was still contract orientated and this is reflected in our net fee income mix of 69% contract recruitment and 31% permanent recruitment, essentially unchanged from 2006.

Our Staff

Our strategy remained unchanged through the year and this clear message empowered our management team to make fast and effective management decisions. This, along with the introduction of enhanced IT tools, developed internally, has resulted in the achievement of greater efficiencies from the business and our staff. This can be seen by the NFI conversion to operating profit for each sector.

2007 NFI Conversion



In April this year we substantially increased our graduate intake programme and successfully recruited 30 graduates over and above our normal recruitment demand. These graduate consultants have been integrated into the vertical industry teams and we expect them to be fee generating by the second half of 2008.

Staff turnover still remains low in comparison to our industry sector and this, together with our successful graduate recruitment campaign, has increased our head count from 194 to 245 in the year.

Our Clients

We continued to deliver a healthy mix of contract and permanent business supplying our clients on a contingency, preferred supplier and master vendor basis. This spread of business helped us to maintain our gross margins at 13.3%.

Our top fifty clients continued to generate around 50% of our net fee income. Devonport Royal Dockyard Limited (DML) and VT Group continued to be our largest two clients, each generating c5% of our net fee income. The highlight of the year was winning the Mouchel Parkman UK Master Vendor contract. Mouchel Parkman is one of the UK's leading Consultant Engineers and our Built Environment Sector should see the benefits of this strategic win next year.

The re-signing of our Master Vendor contract with Prysmian Cables and Preferred Supplier contract extensions for Eaton Aerospace and Severn Trent Water have demonstrated our ability to deliver high levels of customer service to our key accounts. Our direct fulfilment rate on Master Vendor contracts is over 90% and we have developed an effective second tier supply chain to support our service delivery teams, especially within non-core skill areas such as administration.

Retaining business has been high on our agenda, led by our Managed Services team, and this has been achieved by offering clients continuous improvement through innovation and value added services.

Our Contractors and Candidates

Sourcing quality candidates and available contractors is the key to the success of any recruitment agency and we have demonstrated our ability to find the best. This year we have placed 2,192 candidates into permanent positions (2006: 1,518) and we have filled over 6,300 contract/ temporary assignments (2006: 6,518).

Our staff are fully aware that candidate referrals continue to be the best way to find new talented people. This year we developed a number of new IT tools to help our staff

Group Managing Director's Report (cont..)

Adrian Gunn

improve candidate and contractor care. The IT tools have simplified communication and enables our staff to pro actively manage the needs of the contractor.

The number of contractors working each week for Matchtech has continued to increase and at the end of July 2007 we had 4,408 contractors on assignment throughout the UK (2006: 3,713).

We are always looking at new ways to attract candidates to our database and our marketing team has continued to find innovative methods to source an ever increasing array of skill types. These activities have helped significantly increase and improve the quantity of our candidate database.

Our Market Segments

All three of our sectors have produced excellent results this year and we believe this success is down to the focus of our staff into specialist areas. We continue to segment each market so we can tackle them 'narrow and deep'.

In Engineering we have seen good success in the Power and Nuclear area. We integrated our Skilled Trades division into the relevant vertical industry teams, which allowed us to increase their market share in an identified market segment. This generated exceptional growth for our Aerospace Team.

In the Built Environment we have started to make an impact with architectural and building surveying practices and have dedicated Consultants working on railway planning and signalling projects.

In Support Services we continued to expand our customer base outside of Engineering and Built Environment clients. This was particularly successful for our Procurement Division whose client base now includes major organisations in the FMCG, banking, finance, retail and insurance sectors as well as Government organisations and Local Authorities.

Investment

Last year we leased an additional 10,000sq ft of office space immediately adjacent to our existing office. This year we moved all of our support functions into the new premises. This has allowed us to continue as the UK's largest single site recruitment company, with each of our three operating sectors having a dedicated trading floor.

We have further strengthened our business continuity strategy and have built a highly resilient infrastructure within Matchtech's two building environment, seeking to mitigate the majority of risks. We have also contracted a Disaster Recovery facility to relocate staff in the event of a significant business interruption.

Our in-house IT development team have been busy successfully developing and rolling out a new Client Relationship Management system. This was developed to improve the responsiveness and effectiveness of our service delivery teams, aiding our staff to find the most appropriate CV's in the quickest possible time. More strategically it has increased the revenue capabilities for each member of staff, driven head count efficiencies and improved our NFI conversion ratio.

Group Management Team

Once again our management team has produced excellent results. This experienced team has been with the Company for many years, demonstrating great unity and focus as we have moved into the public company environment.

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.

The introduction of new share schemes has provided additional focus on performance and the need to continue to deliver profit growth.

Summary

We have a healthy pipeline of business development targets and will be working hard to increase the number of Master Vendor accounts as well as increasing the revenue generated by them.

The additional staff recruited this year should be fee generating in 2008 helping us with our plans to deliver both NFI growth and improve the NFI conversion ratio. The additional office space allows us to continue to recruit at a similar level next year.

Finally we can see long term growth drivers in each of our three sectors and are confident that we are well-placed to take full advantage of the existing and future market conditions.

Adrian Gunn
Group Managing Director

Group Finance Director's Review

Tony Dyer

Matchtech has again posted record results. In our first year of trading as an AIM-listed company, all sectors have shown growth. As we have continued to build on our resilient business model we have delivered strong performance against our Key Performance Measures.

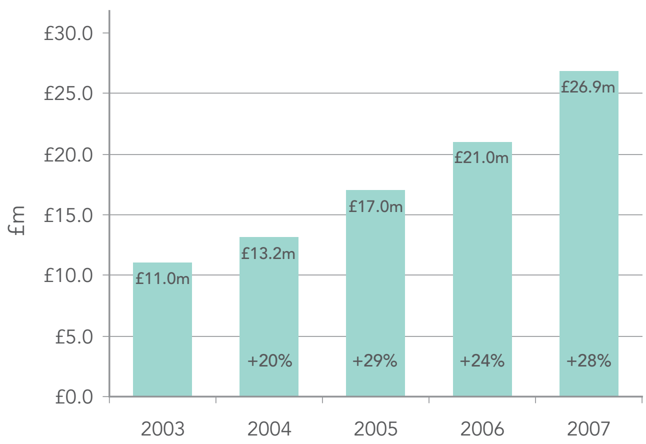
Continuing to build on our resilient business model Matchtech has again posted record results. In our first year of trading as an AIM listed company, we have delivered a strong performance against our Key Performance Measures.

Group Profit & Loss Account (excluding non-recurring items)

With all sectors showing growth on last year, turnover for 2007 increased by 29.4% to £202.8m (2006: £156.7m).

Net fee income grew by 29.3% to £26.9m (2006:£20.8m) and we have maintained our gross profit margin at 13.3% (2006: 13.3%).

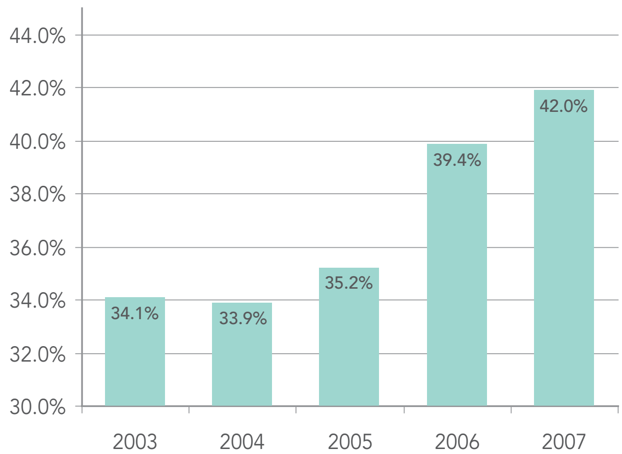
NFI Growth



Notwithstanding a slight shift in mix, we continue to maintain a healthy balance between contract and permanent business with 69% (2006: 71%) of net fee income derived from recurring contract income and 31% (2006: 29%) from permanent placements.

Our ability to continue to drive efficiencies from the business is highlighted by an increase in net fee income conversion to operating profit from 39.4% to 42.0%.

NFI Conversion



As a result operating profit rose by 37.8% to £11.3m (2006: £8.2m) and pre-tax profits by 36.4% to £10.5m (2006: £7.7m).

The Group received tax relief from gains on share option schemes that were exercised during the year, giving an effective tax rate of 23.7% (2006: 26.7%).

Profit after tax was up by 44.6% to £8.1m (2006: £5.6m)

Group non-recurring items

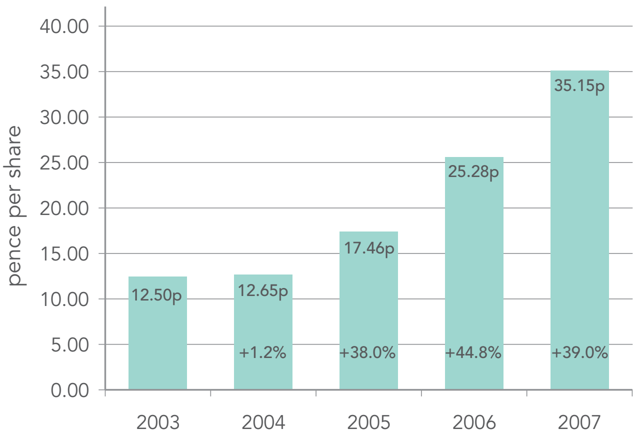
For comparison purposes we have excluded the non-recurring items of the sales and profits of the US business sold on 31st August 2006 of £0.07m as well as the non-recurring costs of the flotation of £0.6m.

Group Earnings Per Share

Basic Earnings Per Share of continuing operations rose to 33.47p (2006: 26.31p) up 27.2% and Diluted Earnings Per Share increased by 29.1% to 32.66p (2006: 25.29p).

Excluding the non-recurring items, underlying Basic and Diluted Earnings Per Share were 36.02p and 35.15p, representing increases of 36.9% and 39.0% respectively.

Diluted EPS Growth



Group Dividends

The Board has proposed a final dividend for the year of 9.3 pence per share, payable on 30 November 2007 to those shareholders registered on 9 November 2007. Added to the interim dividend of 4.4 pence per share, the total dividend for the year is 13.7 pence per share.

	2007	2006	%
Turnover	£202.8m	£156.7m	+29.4%
Net Fee Income	£26.9m	£20.8m	+29.3%
Gross Margin	13.3%	13.3%	
Operating Profit	£11.3m	£8.2m	+37.8%
NFI Conversion	42.0%	39.4%	
Profit Before Tax	£10.5m	£7.7m	+36.4%
Profit After Tax	£8.1m	£5.6m	+44.6%
Basic EPS	36.02p	26.31p	+36.9%
Diluted EPS	35.15p	25.28p	+39.0%
Debtor Days	44.0 days	43.4 days	

Group Finance Director's Review (cont..)

Tony Dyer

Group Balance Sheet

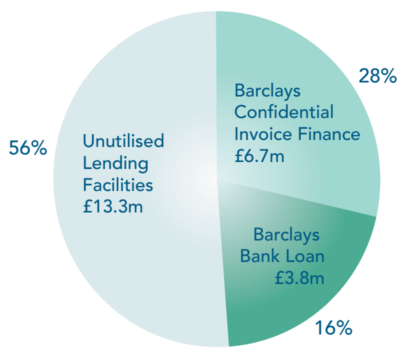
At 31st July 2007 group net assets stood at £10.6m (2006: £7.3m). Net debt increased slightly by £0.3m to £9.8m (2006: £9.5m) and debtor days were essentially unchanged at 44.0 (2006: 43.4).

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 11 October 2006, the Group entered into a £5m, three year loan facility with Barclays Bank plc. At 31 July 2007 the balance on this facility stood at £3.8m.

At 31 July 2007 the utilisation of all the available financing facilities stood at 44%, with £13.3m of facilities available.

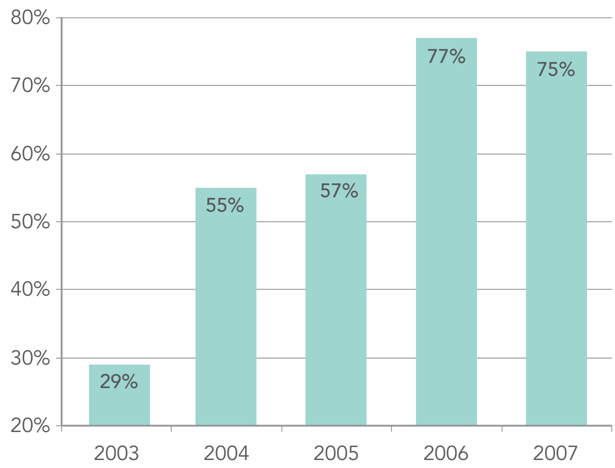
Financing Facilities



Group Cashflow

The Group continues to be cash generative at an operating level and this year showed good level of operating cash conversion, as defined by net cash inflow from operating activities as a percentage of operating profit, of 75% (2006: 90%. Cash conversion in 2006 was enhanced by non-operating cash received, with underlying operating cash conversion of 77%).

Operating Cash Conversion



International Reporting Standards ("IFRS")

The Group has commenced the process of preparing for the conversion to IFRS for the year ending 31 July 2008 and has reviewed the expected impact on the financial statements. The Directors believe that the principal impact of the conversion will be in relation to IAS12 Income Taxes, where provision for the full potential future tax deduction in respect of share options could result in an increase in the deferred tax asset recognised of approximately £400,000. Other areas are IAS 17-Leases and IAS 19-Employee Benefits, which are unlikely to have a material impact on the Group's financial results.

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 a 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 £9.8m at the year end comprising £10.5 (debt) less £0.7m (cash).

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

- Credit risk

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group, with no debtor accounting for more than 6% of total receivable balances at 31 July 2007.

- 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
Group Finance Director

Board of Directors & Advisors

The Board brings together many years of experience internally and externally to Matchtech and inside and outside the Human Capital Resources Sector.

George Materna
Chairman (Chairman - Nominations Committee)

George Materna, aged 54, has 30 years experience of the recruitment industry, and is the founder of Matchtech, having founded Matchmaker Personnel in 1984 and Matchtech Engineering in 1990 before combining the two businesses in 2002 to form Matchtech Group plc.

Adrian Gunn
Group Managing Director

Adrian Gunn, aged 42 joined Matchtech in 1988 as a recruitment consultant and was appointed a divisional director in 1998. He was appointed to the Board in 2004 as Business Development Director and Group Sales Director in 2005. Adrian took over as Group Managing Director on 1st February 2007 and heads the unchanged Executive Team.

Tony Dyer
Group Finance Director & Company Secretary

Tony Dyer, aged 38, is a Fellow of the Chartered Institute of Management Accountants. He qualified as a Chartered Management Accountant in 1995 before joining Matchtech in 1996 as a management accountant. Following a period as financial controller, he was appointed to the Board as Finance Director in 2004.

Paul Raine
Group Resources Director

Paul Raine, aged 47 joined Matchtech in 1990 and was instrumental in establishing Matchtech Engineering having had eight years sales experience in the construction industry. He was appointed Managing Director of Matchtech Engineering in 1998 and was subsequently appointed Group Managing Director of Matchtech Group in 2002, before taking up his current role of Group Resources Director on 1st February 2007.

Andy White
Non-Executive Deputy Chairman

Andy White, aged 51, a chartered engineer, a fellow of the Royal Institute of Naval Architects and a member of the Royal Aeronautical Society. He formed Matchtech Engineering with George Materna in 1990 having previously had a number of years experience in the marine sector.

Stephen Burke
Non-Executive Director (Chairman - Remuneration Committee)

Stephen Burke, aged 47, has over 25 years experience in the recruitment industry having joined Michael Page in 1981 after graduating from Durham University. He was appointed as a Director of Michael Page International in 1988 with responsibility for development of overseas businesses in the Netherlands and Germany. He returned to the UK in 1996 and held two divisional Managing Director roles before being appointed Managing Director of Michael Page in the UK and a Director of Michael Page International plc in 2001 until 2005.

Ric Piper
Non-Executive Director (Chairman - Audit Committee)

Ric Piper, aged 55, qualified as a Chartered Accountant in 1977. He held senior finance roles in ICI, Citicorp and Logica, becoming Finance Director of Logica (UK) in 1990. He was Group Finance Director of WS Atkins from 1993 to 2002. Since 2003 he has been involved at board level and has advised on the growth and development of several companies. He is Chairman of Granby Oil and Gas plc and Chairman and NED of a number of privately owned businesses.

Directors’ Report

The Directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 July 2007.

Principal activities and business review

The principal activity of the Company was that of a holding company of a human capital resources business.

The principal activity of the Group during the year was that of 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 is one of the UK’s largest recruitment businesses.

In addition to its core service, the Group is one of the leaders in graduate recruitment, with strong links to Universities, Colleges and other educational establishments.

There have not been any significant changes in the Group’s principal activities in the year under review and the Directors are not aware, at the date of this report, of any likely major changes in the Group’s activities in the next year.

A full business review is presented in the Managing Director’s report on pages 4 to 7.

Directors

The Directors who served the Company during the period were:

Executive directors	Non-Executive directors
Adrian Gunn (Managing Director)	George Materna (Chairman)
Tony Dyer (Finance Director)	Andrew White
Paul Raine (Resources Director)	Stephen Burke
	Ric Piper

The Directors and their interests in shares in the Group

The Directors of the Company, who served during the year, and their interests in shares and share options of the Company are shown in the Remuneration Report on pages 28 to 35.

In accordance with the Company’s Articles of Association, all the directors, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report (cont..)

Results and Dividends

The trading results for the year, and the group's financial position at the end of the year are shown in the financial statements on pages 36 to 53.

The company has paid the following dividends:

	2007	2006
	£'000	£'000
Dividends paid on ordinary shares (12p per share) on 1 December 2005	**0**	2,579
Dividends paid on ordinary shares (7p per share) on 5 June 2006	**0**	1,545
Dividends paid on ordinary shares (20p per share) on 20 October 2006	**4,414**	0
Dividends paid on ordinary shares (4.4p per share) on 21 June 2007	**1,013**	0
	5,427	4,124

The directors recommended the following dividends:

	2007	2006
	£'000	£'000
Dividends proposed on ordinary shares **(20.0p per share)** paid on 20 October 2006	**0**	4,414
Dividends proposed on ordinary shares **(9.3p per share)** to be paid on 30 November 2007	**2,142**	0
	2,142	4,414

Going concern

The Directors consider that the Group and the company have adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing 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.

Substantial shareholders

In addition to the Directors' interests shown in the Remuneration Report on pages 28 to 35, and in accordance with Part 22 of the Companies Act 2006 and the Transparency Rules of the UK Listing Authority, the Company has been notified that the following shareholders' interests exceeded 3% of the Company's Ordinary share capital in issue at the date of this report:

Shareholder	%
George Materna	34.2%
Paul Raine	8.0%
Andrew White	4.7%
Mr & Mrs Stephen Searle	4.0%

Principal risks

The Board makes ongoing assessments of the whole business to identify, evaluate and address the business and financial risks faced by the Group by way of risk assessments, external audit and advice, operational review and approval and an open and direct access to the executive team for all employees. The Group has identified the following business risks:

- **the economic cycle and dependence on key clients;** recruitment is closely linked to the general performance of the economy and its cyclicality. The Group believes it seeks to mitigate some of this risk by focusing on recurring project based contract business in sectors where there is a long term prognosis for growth. Nevertheless, in the event that any major client ceases to procure services from the Group, or such a client does not pay for services provided by the Group in a timely manner, it may have a material adverse effect on the prospects for the Group.
- **contractual risk;** the Group has one contract under which it supplies for the construction of aircraft tailplanes. Typically as a recruitment consultant, Matchtech will source engineering contractors who will provide engineering services to a client, under the supervision of that client. Under this specific engineering design services contract Matchtech takes more responsibility for the performance of the services and the output of the services than otherwise may be the case if it were acting as a recruitment consultant. Accordingly a project system is being implemented to monitor project performance and to assist with ongoing risk assessment and management. The Board will review the reports monthly.
- **compliance and regulatory obligations and changes;** the Group works closely with its financial and legal advisors, in-house compliance team and its governing body, the Recruitment and Employment Confederation (REC) to ensure that the business is up to date on these issues and that systems are in place to minimise the risk of non-conformance.
- **technology systems;** there is a risk that IT systems become out of date. The Group employs its own team of in-house developers to ensure that our systems are constantly maintained and developed to meet the latest requirement of the business.
- **markets and competition;** the recruitment market is highly fragmented and competition is intense. The Group Board and Executive regularly meets to discuss and agree strategy to minimise this risk.
- **shortage of candidates and skills;** the Group seeks to mitigate this risk by working hard to maintain its own candidate database, to provide the best service possible to candidates and to retain as many contractors as possible.
- **loss of business continuity;** operating from one site, the Group is at risk from loss of business continuity, however the Group has strengthened its business continuity strategy and has built a highly resilient infrastructure within the Group's two building environment and has also contracted a further Disaster Recovery facility where our staff would relocate to in the event of a major disaster, and these processes will be fully tested in early 2008.
- **loss of key management and staff;** the Group understands the risk of losing key staff, especially given the Board's growth plans, and aims to mitigate this risk by developing our staff in-house, giving them clear objectives and career paths, with the goal of is building a resilient succession planning environment.

Corporate governance

A report on Corporate Governance is set out on pages 22 to 27.

Directors' Report (cont..)

Corporate responsibility

The Board recognises its employment, environmental and health and safety responsibilities. It devotes appropriate resources towards monitoring compliance with and improving existing standards. The Resources Director has responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

Employees

The Board recognises that the Group's employees are its most important asset.

The Group is committed to achieving equal opportunities and to complying with anti-discrimination legislation. It is established Group policy to offer employees and job applicants the opportunity to benefit from fair employment, without regard to their sex, sexual orientation, marital status, race, religion or belief, age or disability.

Employees are encouraged to train and develop their careers.

The Group has continued its policy of informing all employees of matters of concern to them as employees, both in their immediate work situation and in the wider context of the Group's well being. Communication with employees is effected through the Board, the Group's management briefings structure, formal and informal meetings and through the Group's information systems.

The Group has a culture that encourages share participation at all levels. At 31 July 2007 it is estimated that 62% of the Company's share capital is held by Directors, senior management and other employees.

During the year the Group introduced a Long Term Incentive Plan ('LTIP') and a Share Incentive Plan ('SIP'). The Group also has a number of share options remaining to be exercised from its Enterprise Management Incentive Scheme ('EMI').

Environment

The Group remains committed to operating in an environmentally responsible manner and is accredited to the Environmental Standard ISO 14001:1996. The Directors' consider the impact on the environment in making their decisions.

Health and Safety

The Group is committed to providing for the health, safety and welfare of all its employees and has established an Occupational Health & Safety Management System that complies with OHSAS 18001-1999. The Group also has procedures in place to comply with all legal and contractual obligations relevant to the Group's activities.

The Community

The Group is committed to providing support to the community and society through a number of charitable activities. During the year the Group made charitable donations of £5,000 (2006: £6,000). The Group made no donations for political purposes either in the UK or overseas during the year. The Directors' consider the impact on the community in making their decisions.

Quality

The Group is ISO 9001:2000 accredited: No. QAIC/UK/643. As one of the UK's leading specialist recruitment agencies, Matchtech is dedicated to quality and professionalism in the pursuit of achieving customer satisfaction and commercial goals.

In order to ensure that these Key Objectives are achieved, the Company has, in compliance with ISO 9001:2000, implemented a Quality Management System suitable to the needs, size and complexity of the operation. Commitment to, and compliance with, this Quality Management System is mandatory for all Matchtech employees.

This Quality Policy, and the resultant Management Systems and Objectives will be under constant review to ensure continual improvements in Systems and performances. All interested parties are encouraged to participate in this process.

Policy on the payment of creditors

It is the Group's policy to agree payment terms with suppliers when orders are placed. Payments are made in accordance with these terms provided the suppliers comply with relevant terms and conditions.

The Group had 9 creditor days (2006: 9 days) outstanding at 31 July 2007 based on the average daily cost of sales and invoicing during the year.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

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

By order of the Board

Tony Dyer
Group Finance Director & Company Secretary
16 October 2007

Auditors' Report

Report of the independent auditor to the members of Matchtech Group plc

We have audited the group and parent company financial statements (the ''financial statements'') of Matchtech Group PLC for the year ended 31 July 2007 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Managing Director's Report that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Group Chairman's Statement, the Group Managing Director's Statement, the Group Finance Director's Review and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 July 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Southampton
16 October 2007

Corporate Governance

The Board is committed to achieving high standards of corporate governance and will continue to manage the Group in an efficient, effective and entrepreneurial manner for the benefit of shareholders over the longer term.

Introduction

The Board is committed to achieving high standards of corporate governance. The Board will continue to manage the Group in an efficient, effective and entrepreneurial manner for the benefit of shareholders over the longer term.

Whilst the Company is not subject to the Combined Code applicable to companies listed on the Official List, the Directors recognise the importance of sound corporate governance. The Company intends to comply with the Corporate Governance Guidelines for AIM Companies as published by the Quoted Companies Alliance (as far as applicable).

The Board is responsible for the governance of the Company and ensures, through the supervision of its management, the integrity of the Group's accounting and financial reporting systems and that the appropriate controls are in place, including those for monitoring risk, financial control and compliance with the law.

The Board

The Board operates with the following objectives:

- **Entrepreneurial management**

There is a vision of what the Company is trying to achieve, over what period, and an understanding of what is required to achieve this ambition. A dialogue exists between shareholders and the Board, with the aim that the Board understands shareholders' objectives and the shareholders understand the Company's constraints.

- **Efficient management**

The mechanisms by which important decisions are taken is transparent. It is clear where the responsibility lies for the management of the Company and for the achievement of key tasks. Procedures are in place to protect significant tangible and intangible assets. These are regularly reviewed and updated.

- **Effective management**

The Board has the appropriate skills available to it in order to make the key decisions expected of it. The composition of the Board and the skills mix are regularly reviewed.

The Board is provided with appropriate information on which to constructively challenge recommendations made to it before making its decisions including regular management and financial information. The collective responsibility of the Board requires all Directors to be involved in the process of arriving at significant decisions and there is a formal schedule of matters reserved for their decision. The formal schedule of matters reserved for the Board includes strategy, the approval of financial statements and shareholder circulars, treasury policy, major capital investments, risk management strategy and acquisitions and disposals.

To ensure that vested interests should not be able to act in a manner contrary to the common good of all shareholders the Board has two independent Non-Executive Directors.

The Board has a regular schedule of meetings together with further meetings when required and a schedule of attendance will be disclosed in the Annual Report for the year to 31st July 2008. In addition, Directors meet as members of relevant Committees. There is a formal schedule of matters reserved specifically to the Board for decision and delegating specific responsibilities to Committees.

The Chairman and the Non-Executive Directors meet without the Executive Directors present at least once a year. The Chairman had no other significant commitments in the two years ended 31st July 2007.

All Directors have access to the advice and services of Tony Dyer, the Finance Director and Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is an agreed procedure for Directors to obtain independent professional advice, paid for by the Group.

In accordance with the Company's Articles of Association, one third of the Board is required to retire by rotation each year. In addition, all those appointed during the year will stand for re-election at the next Annual General Meeting. The Board recognises the benefit of performance evaluation of the Board, Directors and Board Committees. The Board anticipates undertaking an initial performance evaluation for inclusion in the Annual Report for the year to 31st July 2008.

Committees of the Board

The Board has three established Committees for Audit, Remuneration and Nominations. The Committees have terms of reference which will be reviewed annually by the Board; copies are available on request from the Company Secretary.

Following formal decision making, the Board may, on occasion, delegate authority to a Standing Committee consisting of any two Directors to facilitate final sign off for an agreed course of action within strict parameters.

- **Audit Committee**

The Audit Committee comprises of Ric Piper, who is the Committee's Chairman, and Stephen Burke. Both are independent non-executive directors.

Corporate Governance (cont..)

The Committee's central function is review the scope of the external audit, to receive direct reports from the external auditors and to review the half yearly and annual financial statements before they are presented to the Board, focusing in particular on accounting policies and compliance, areas of management judgement and estimates, and the effectiveness of internal control procedures. Part of each meeting will be with the auditors without Executive Board members present. The key elements of processes used by the Audit Committee to review the effectiveness of the system of internal control will include:

- Review of significant Group risks reported by the Group Executive and the Board;
- Discussion with management on risk areas identified by management and/or the audit process

The Board and the Audit Committee will monitor the cost effectiveness of audit and non-audit work performed by the auditors and will also consider the potential impact, if any, on the corporate relationship with the auditors before awarding any non-audit work. The appointment of Auditors and level of fees payable for both audit and non-audit work are agreed by the Committee.

The Board and Audit Committee also review the independence of the external auditors. The auditors will report to the Audit Committee on matters including independence and non-audit fees on an annual basis. In addition, the role of audit partner is rotated on a periodic basis.

- Remuneration Committee

The Remuneration Committee comprises of Stephen Burke, who is the Committee's Chairman, and Ric Piper who both are independent non-executive directors.

Its duties include reviewing the performance of Executive Directors, determining the employment packages of the Executive Directors, and the need to ensure the Executive Directors' commitment to the continued success of the Group by means of incentive schemes to enhance performance and align the interests of the Executive Directors with those of shareholders. The Committee also reviews the employment packages of other senior managers.

The Committee is also responsible for the implementation and subsequent monitoring of the share based incentive schemes.

In determining the Executive Directors' remuneration for the year, the Committee consulted the Chairman about its proposals (except for his own remuneration). No director or senior manager participates in meetings at which his own remuneration is under consideration.

The objectives of the Group's remuneration policy are to attract, retain and incentivise management with the appropriate professional, managerial and technological expertise to realise the Group's business objectives and to align their interests with those of shareholders. The Group strives to link payment to performance and thereby create a performance culture.

The Committee continues to monitor the following constituent elements to ensure that they offer the best available incentive to Executive Directors and senior managers to enhance shareholder value:

- basic salary and other benefits;
- performance bonus payable for the achievement of in year targets; and
- medium term share incentives.

- **Nominations Committee**

The Nominations Committee comprises of George Materna, who is the Committee's Chairman, with the independent non-executive directors Ric Piper and Stephen Burke.

The Nominations Committee has full power and authority to carry out a formal selection process of candidates and then propose new appointments to the Board.

The Company has adopted a policy for Directors' and key employees' share dealings which is appropriate for an AIM quoted company. The Directors will comply with Rule 21 of the AIM rules relating to Directors' dealings and in addition will take all reasonable steps to ensure compliance by the Group's applicable employees.

Non-Executive Directors

The Non-Executive Directors have letters of appointment stating their annual fee and that their appointment is subject to satisfactory performance and their re-election at forthcoming AGM's. Their appointment may be terminated within a maximum of six months written notice at any time. Copies of the letters of appointment will be available for inspection prior to and during the AGM and are also available for inspection at the Company's registered office during normal business hours.

The remuneration of the Chairman and the Non-Executive Directors is determined by the Board within the limits set out in the articles of association, including reviewing the level of fees paid by comparator companies.

The Chairman and the Non-Executive Directors do not participate in any meeting at which discussions in respect of matters relating to their own position take place. There is not currently a Senior Independent Director although there is a deputy Chairman. The Board will review annually the need for a Senior Independent Director.

Group Executive

The Group Executive is responsible for the management of the business and is chaired by the Group Managing Director. Its members currently comprise Adrian Gunn the Group Managing Director, Tony Dyer the Group Finance Director and Paul Raine the Group Resources Director. It meets regularly throughout the year.

Corporate Governance (cont..)

The principal role of the Group Executive is to ensure the Group Management Team is directed to implement the requirements of the Board and the company's shareholders.

The respective roles of the Board and Group Executive are discussed further under Internal Control below.

The Company seeks to have a development framework to assist the Chairman, Executive Directors and Non-Executive Directors in discharging their responsibilities effectively. Non-Executive Directors meet regularly with members of the Group Executive and other senior managers and receive regular business updates via scheduled presentations.

Internal control

The Board has accountability for reviewing and approving the adequacy and effectiveness of internal controls operated by the Group, including financial, operational and compliance controls and risk management, and this is intended to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable not absolute assurance against material misstatement or loss. It is the role of the Group Management Team to implement the agreed policies on risk and control. No material internal control issues arose during the year.

The system of internal financial and operational controls is designed to meet the Group's particular needs and aims to facilitate effective and efficient operations, to safeguard the Group's assets, ensure proper accounting records are maintained and ensure that the financial information used within the business and for publication is reliable.

The Board confirms that there is a continuing process for identifying, evaluating and managing the risks faced by the Group, with further improvements planned for 2008. There is no internal audit function and a major factor in the decision is that the business operates from a single site.

Key features of the system of the Group's internal control are as follows:

- **Group culture**

By its statements and actions the Board emphasises a culture of openness, integrity, competence, fairness and responsibility.

- **Group organisation and performance**

The Board focuses mainly on strategic issues, senior management and financial performance. The Group Executive concentrates on operational performance, operational decision making and the formulation of strategic proposals to the Board.

- **Risk Management Policy**

The Company has an overall Risk Management Policy in place which has been communicated to all staff and is continually accessible.

- **Corporate Policies**

The Board has introduced a range of policies for the company to comply with which it constantly monitors, including policies on Corporate Social Responsibility, Equal Opportunities, Disability, Diversity, Health and Safety, Gifts and Entertainment and the Environment.

- **Professional Practices**

Matchtech is a corporate member of the Recruitment and Employment Confederation (REC). Matchtech encourages all recruitment consultants to become members and actively promotes the REC training program to ensure that all staff are working to the appropriate guidelines.

Matchtech endeavours to fully comply with the REC Code of Ethics, The Employment Agencies Act and Conduct Regulations 2003 and the REC Code of Professional Practice. In addition, Matchtech has achieved REC Audited status, the highest level of assessment available in the industry, which means our systems and processes comply with current legislation.

- **Control Environment**

The Group's management systems and procedures are subject to ongoing review to ensure that improvements to enhance controls can be made.

- **Financial reporting**

The Board approves a business plan and annual budgets for individual business units and the Group. The financial performance of individual business units is reported regularly. Forecasts for the Group are updated and reviewed by the Board regularly.

Investor Relations

The Board gives communication with all shareholders a high priority.

The Annual and Interim Reports are sent to all shareholders and all shareholders are invited to the Company's AGM, which is attended by the full Board. Appropriate updates of trading performance and business successes will be communicated. The Board welcomes the views of all shareholders, and other stakeholders, which in the first instance should be made to the Chairman.

If they are requested to do so, the Non-Executive Directors will make themselves available for the regular investor meetings to be held by the Chairman, Managing Director and Group Finance Director.

The Annual Report is designed to present a balanced and understandable view of the Groups' activities and prospects. The Chairman's Statement, Group Managing Director's Report and the Group Finance Director's Review provide an assessment of the Group's affairs and position.

Directors' Remuneration Report

The objectives of the Group's remuneration policy are to attract, retain and incentivise management with the appropriate professional, managerial and technological expertise to realise the Group's business objectives and to align their interests with those of shareholders.

The Company has established a Remuneration Committee, which is responsible on behalf of the Board for developing a remuneration policy, as described below.

As Matchtech Group plc is an AIM listed company rather than a fully listed company it is not required to disclose the information in the Remuneration Committee Report, but the Board has chosen to do so as a voluntary disclosure. As such, the auditor is not required to and has not, except where indicated, audited the information included in the Remuneration Committee Report.

The Company's statement on remuneration policy is set out below together with details of the remuneration of each Director.

Scope and membership of Remuneration Committee

The Remuneration Committee, which meets not less than twice a year, comprises the independent Non- Executive Directors.

The Chairman attends the meetings as required, except when his own remuneration is under consideration.

The purpose of the Remuneration Committee is to review, on behalf of the Board, the remuneration policy for the Chairman, Executive Directors and other senior management and to determine the level of remuneration, incentives and other benefits, compensation payments and the terms of employment of the Executive Directors. The committee also reviews the remuneration and benefits of other senior executives. It seeks to provide a remuneration package that aligns the interests of Executive Directors with that of the shareholders.

The Committee has continued to review the remuneration of the Executive Directors with regard to the need to maintain a balance between the constituent elements of salary, incentive and other benefits.

It receives advice from independent remuneration consultants, Halliwell Consulting, and makes comparisons with similar organisations, who also assist in providing valuations for determining appropriate accounting of share options under FRS20.

No Directors, other than the members of the Remuneration Committee, provided material advice to the Committee on Directors' remuneration.

Remuneration Policy

The objectives of the Group's remuneration policy are to attract, retain and incentivise management with the appropriate professional, managerial and technological expertise to realise the Group's business objectives and to align their interests with those of shareholders. The Group strives to link payment to performance and thereby create a performance culture.

It is the Company's policy that all Executive Directors' service contracts contain a 6-month notice period.

The Non-Executive Directors have letters of appointment stating their annual fee and that their appointment is subject to satisfactory performance and their re-election at forthcoming AGM's. Their appointment may be terminated within a maximum of six months written notice at any time.

The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors do not receive any pension or other benefits, other than out-of-pocket expenses, from the Group, nor do they participate in any of the bonus or share option schemes.

The remuneration agreed by the Committee for the Executive Directors contains the following elements:

- base salary and benefits;
- profit bonus;
- annual profit growth bonus;
- share options conditional upon achieving performance criteria;
- share incentive plan;
- pension benefits

The following sections provide an outline of the Company's remuneration policy during the year.

The basis of the base salary, profit bonus and annual profit growth bonus elements of the Executive Directors' remuneration is set in relationship to the Managing Director's remuneration as follows:

Period	Managing Director	Sales Director (to 31/01/07)	Resources Director (from 01/02/07)	Finance Director
01/08/06 to 31/01/07	100%	80%	-	70%
01/02/07 to 31/07/07	100%	-	80%	70%

Directors' Remuneration Report (cont..)

- **Base salary and benefits**

The Committee establishes salaries and benefits by reference to those prevailing in the employment market generally for Executive Directors of comparable status and market value, taking into account the range of incentives described elsewhere in this report, including a profit bonus and annual profit growth bonus. Reviews of such base salary and benefits are conducted annually by the Committee.

- **Profit bonus**

The performance based commission for the Executive Directors is based upon a fixed percentage of pre-tax profits generated by the Group in the year.

Period	Managing Director	Sales Director	Resources Director	Finance Director
01/08/06 to 31/01/07	0.50%	0.40%	-	0.35%
01/02/07 to 31/07/07	0.50%	-	0.40%	0.35%

The amounts paid for the year to Adrian Gunn, Managing Director, and Paul Raine, Resources Director, reflect their change in roles during the year.

- **Annual profit growth bonus**

The annual growth based bonus is based upon the Group's pre-tax profit performance in the year compared with the baseline pre-tax profit from the previous year. This bonus is paid at the end of the year.

The following full-time equivalent percentage bonus rates are paid on the increase in profits for the year. The Remuneration Committee may vary the rates during the year due to take account of any acquisitions or disposals during the year.

Profit Growth Bands	Managing Director	Sales Director (to 31/01/07)	Resources Director (from 01/02/07)	Finance Director
0%-5%	1.00%	0.80%	0.80%	0.70%
5%-10%	2.00%	1.60%	1.60%	1.40%
10%-15%	3.00%	2.40%	2.40%	2.10%
15%-20%	4.00%	3.20%	3.20%	2.80%
20%-25%	5.00%	4.00%	4.00%	3.50%
25%+	6.00%	4.80%	4.80%	4.20%

The amounts paid for the year to Adrian Gunn and Paul Raine reflect their change in roles during the year.

The baseline profit for 2005/06 is £7,843,000. Pre-tax profits are calculated before IPO costs and other exceptional items.

- **Share options conditional upon achieving performance criteria**

During the year the Company introduced a Long Term Incentive Plan (LTIP) for Executive Directors and key staff. This LTIP scheme replaced the Company's EMI share option scheme.

The Executive Directors receive an annual grant of zero-priced share options. The full time equivalent annual grant is £100,000 for the Managing Director and £80,000 for the other Executive Directors. The number of shares granted is based upon the closing market price of the Company's shares on the day before the grant of the share options.

This Award will be capable of release subject to the Director remaining employed until the Expiry of the Holding Period date set out and the satisfaction of the following Performance Targets:

Total Shareholder Return ('TSR') performance; the return on the Group's share over the period from the Date of Grant to the third anniversary of the Date of Grant exceeding the median return of the comparator group of 27 listed recruitment companies. As at 31st July 2007, the Group is in the upper quartile of TSR performance, as shown in the table below.

Performance measured against listed recruitment companies was deemed to be the most relevant comparator. Below average performance was not considered sufficient to enable options to be exercised. TSR comparator figures are independently produced by Halliwell Consulting.

Comparator Group	TSR Performance
Upper Quartile	43.89%
Median	31.67%
Lower Quartile	17.63%
Matchtech Group plc	**54.53%**

Diluted Earnings per Share Growth; if the TSR Underpin has been satisfied then the number of shares which shall be capable of release at the end of the Holding Period shall be in accordance with the table below.

Diluted Earnings Per Share for the purpose of a performance measure for the LTIPs is calculated excluding the non-recurring items of the sales and profits of the US business sold on 31 August 2006 as well as the IPO costs as calculated in Note 9 to the Financial Statements. Diluted Earnings Per Share growth for the year is 39.0%.

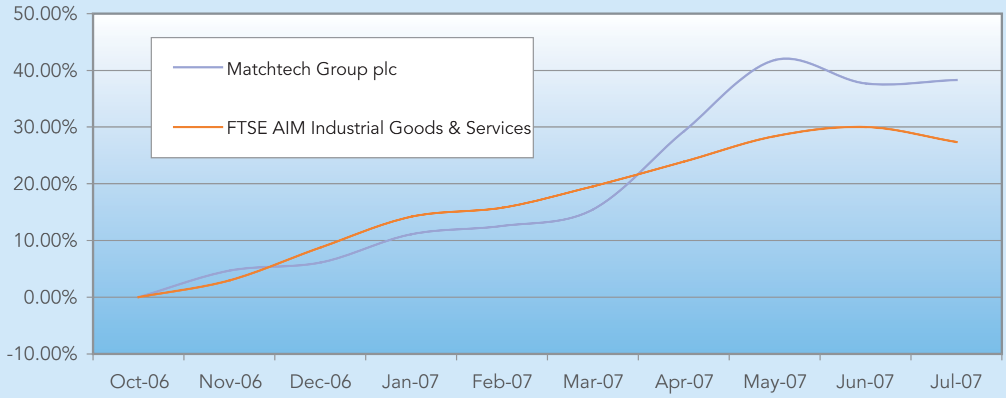
Growth in Diluted EPS was deemed to be the most appropriate motivational measure to focus staff performance. It was deemed that performance linked to share price could be de-motivating in the short term should share price be adversly affected by non-operational factors.

Average Annual Earnings Per Share Growth	% Maximum Number of Shares
0%	0%
15%	25%
16%	30%
17%	35%
18%	40%
19%	50%
20%	60%
21%	70%
22%	80%
23%	100%

Directors’ Remuneration Report (cont..)

- **Total Shareholder Return performance 27 October 2006 to 31July 2007 against market comparator.**

The graph below illustrates the Total Shareholder Return of the Company since admission to AIM on 27 October 2006 to 31 July 2007, for both the Group and the FTSE AIM Industrial Goods and Services index, which is considered the most appropriate comparator index, as it is the index in which the company appears.



Source: Halliwell Consulting

- **Share Incentive Plan**

During the year the Company introduced a Share Incentive Plan (SIP) for Executive Directors and all staff called “Match”. Under the scheme, staff are entitled to buy shares in Matchtech Group plc out of pre-tax salary. They can invest up to a maximum of £125 per month or an annual lump sum of £1,500, which will be used to purchase Matchtech Group shares (“Invest shares”). Matchtech will award one free share for every share that is purchased (“Match shares”). Staff will receive “Match” shares at the end of a 3 year holding Period, subject to remaining employed with Matchtech and the “Invest” shares remaining in the plan throughout the holding period.

On 31July 2007, the following shares were held in the scheme by the Executive Directors:

Name of Director	Shares purchased under SIP	Shares awarded under matching element of SIP
Adrian Gunn	409	409
Tony Dyer	409	409
Paul Raine	409	409
Total	**1,227**	**1,227**

- Pension benefits

The Company contributes 10% of Executive Directors Adrian Gunn and Tony Dyer's basic salary into a Group Personal Pension Plan and 10% of Executive Director Paul Raine's salary into an Executive Pension Plan. In addition, the Executive Directors contribute into their pensions schemes by way of Salary Sacrifice.

- AUDITED INFORMATION

- Directors' remuneration

The table below summarises all Directors' emoluments and pension contributions for the current and the prior year for comparison. No payments for loss of office were made during the year and no other awards were made to any Director.

	2007					2006		
Name of Director	Salary & Fees £'000	Pension £'000	Benefits [1] £'000	Bonus £'000	Total £'000	Salary, Fees & Benefits £'000	EBT Distribution [3] £'000	Total £'000
George Materna	35	78	12	0	**125**	118	608	**726**
Adrian Gunn	125	20	13	143	**301**	202	21	**223**
Tony Dyer	81	29	11	107	**228**	154	12	**166**
Paul Raine [2]	96	39	13	119	**267**	275	109	**384**
Andrew White	33	0	1	0	**34**	29	212	**241**
Ric Piper	33	0	0	0	**33**	16	0	**16**
Stephen Burke	38	0	0	0	**38**	6	0	**6**
Aggregate Emoluments	**441**	**166**	**50**	**369**	**1,026**	**800**	**962**	**1,762**

[1] Benefits in kind include car allowances, medical and life insurance.

[2] The remuneration of Paul Raine is adjusted pro-rata to reflect the fact that he is now undertaking a 4 day a week role.

[3] In July 2006 a distribution from was paid from the Employee Benefit Trust ('EBT'). The EBT was set up to facilitate the former employee EMI share scheme and was not deemed necessary post flotation. The trustees authorised a distribution to be paid to all employee shareholders in proportion to their shareholdings at the date of the distribution.

Directors' Remuneration Report

- Directors' interests in shares and share options

At admission to AIM, all classes of share were converted into Ordinary shares of 1 pence each. The Directors' interests in the shares capital of the Company at 31 July 2007 are shown below.

There are no changes to this information as at the date of this report.

Shares

Name of Director	Ordinary shares at 1st August 2006	Change in year	Ordinary shares at 31st July 2007	% of share capital
George Materna	11,847,250	(3,969,845)	7,877,405	34.2%
Adrian Gunn	405,236	(7,095)	398,141	1.7%
Tony Dyer	236,517	41,673	278,190	1.2%
Paul Raine	2,126,001	(293,280)	1,832,721	8.0%
Andrew White	4,135,719	(3,042,687)	1,093,032	4.7%

Share Options

Name of Director	Scheme	Interest at beginning of period	Number of options during the year		Interest at end of period	Date at which exercisable	Expiry Date
			Granted	Exercised/ Lapsed			
Adrian Gunn	EMI	4,053	0	0	4,053	01/06/2007	08/11/2014
Adrian Gunn	EMI	1,651	0	0	1,651	01/06/2008	01/12/2015
Adrian Gunn	LTIP	0	25,806	0	25,806	27/10/2009	27/10/2016
Tony Dyer	EMI	2,346	0	2,346	0	01/06/2007	08/11/2014
Tony Dyer	EMI	75,188	0	75,188	0	01/06/2007	08/11/2014
Tony Dyer	EMI	1,817	0	0	1,817	01/06/2008	01/12/2015
Tony Dyer	LTIP	0	25,806	0	25,806	27/10/2009	27/10/2016
Paul Raine	EMI	2,887	0	2,887	0	01/06/2007	08/11/2014
Paul Raine	EMI	2,064	0	0	2,064	01/06/2008	01/12/2015
Paul Raine	LTIP	0	32,258	0	32,258	27/10/2009	27/10/2016

Name of Director	Scheme	Number of shares exercised	Share option grant price	Market price at date of exercise	Gain on options at date of exercise
Tony Dyer	EMI	2,346	£0.890	£4.885	£9,372
Tony Dyer	EMI	75,188	£0.890	£4.885	£300,376
Paul Raine	EMI	2,887	£0.890	£4.885	£11,533

Share Options Gains

No Director had any other interest in the share capital of the Company or its subsidiaries, or exercised any share options during the year, other than as already disclosed.

Matchtech has a culture which encourages share participation at all levels, not just at Board level. Of the 245 staff at the year end 100 hold shares in Matchtech. At the 31st July 2007, 65% of the Company's share capital is held by Directors, senior management and other employees. Excluding members of the Board, staff hold 10% of the Company's share capital.

On 31st July 2007, the closing market price of Matchtech Group plc Ordinary shares was 471.50 pence. The highest and lowest prices of these shares during the year was 497.5 pence on 4 June 2007 and 310.0 pence on 27 October 2007 respectively, based on the London Stock Exchange Daily Official List.

- Approval

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

Stephen Burke
Chairman of the Remuneration Committee
16 October 2007

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Consolidated Profit & Loss Account

for the year ended 31st July 2007

	Note	2007 £'000	2006 £'000
TURNOVER			
Continuing operations		202,779	156,686
Discontinued operations		135	1,442
	2	202,914	158,128
COST OF SALES			
Continuing operations		175,902	135,893
Discontinued operations		117	1,196
		176,019	137,089
GROSS PROFIT			
Continuing operations		26,877	20,793
Discontinued operations		18	246
		26,895	21,039
ADMINISTRATIVE EXPENSES			
Continuing operations		15,617	12,554
Discontinued operations		10	93
Cost of Admission to AIM		572	0
		16,199	12,647
OPERATING PROFIT			
Continuing operations		10,688	8,239
Discontinued operations		8	153
	3	10,696	8,392
EXCEPTIONAL ITEM			
Profit on sale of discontinued operations		59	0
PROFIT AFTER EXCEPTIONAL ITEMS		10,755	8,392
Interest receivable		20	66
Interest payable and similar charges	5	(831)	(615)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,944	7,843
Tax on profit on ordinary activities	8	(2,359)	(2,098)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,585	5,745

Consolidated Profit & Loss Account

for the year ended 31st July 2007

EARNINGS PER ORDINARY SHARE

		Note	2007 pence	2006 pence
Basic	Continuing operations	9	33.47	26.31
	Discontinued operations	9	0.29	0.29
	Total		33.76	26.60
Diluted	Continuing operations	9	32.66	25.29
	Discontinued operations	9	0.28	0.27
	Total		32.94	25.56

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007 £'000	2006 £'000
Profit for the financial year attributable to the shareholders	7,585	5,745
Currency translation differences on foreign currency net investments	3	(2)
	7,588	5,743
Prior year adjustment	0	(96)
Total gains and losses recognised since the last annual report	7,588	5,647

matchtech GROUP PLC

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Balance Sheets

for the year ended 31st July 2007

		GROUP		COMPANY	
		2007	2006	2007	2006
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	10	133	128	0	0
Tangible assets	11	1,699	1,271	0	0
Investments	12	0	0	250	250
		1,832	1,399	250	250
CURRENT ASSETS					
Debtors	13	32,108	24,670	2,203	1,209
Cash at bank and in hand		836	495	656	136
		32,944	25,165	2,859	1,345
CREDITORS					
Amounts falling due within one year	14	(22,132)	(19,313)	(2)	(654)
NET CURRENT ASSETS		10,812	5,852	2,857	691
TOTAL ASSETS LESS CURRENT LIABILITIES		12,644	7,251	3,107	941
CREDITORS					
Amounts falling due after one year	15	(2,083)	0	0	0
NET ASSETS		10,561	7,251	3,107	941
CAPITAL AND RESERVES					
Called-up equity share capital	17	230	221	230	221
Share premium account	18	2,829	2,009	2,829	2,009
Other reserve	18	224	229	0	0
Share based payment reserve	18	386	338	0	0
Profit and loss account	18	6,892	4,454	48	(1,289)
SHAREHOLDERS' FUNDS	19	10,561	7,251	3,107	941

These financial statements were approved by the directors on the 16th October 2007, and signed on its behalf by:

Tony Dyer
Finance Director

Annual Report & Accounts 2007

Consolidated Cash Flow Statement

for the year ended 31st July 2007

	2007 £'000	2006 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	8,112	7,540
RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
Interest received	20	66
Interest paid	(831)	(615)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS & SERVICING OF FINANCE	(811)	(549)
TAXATION	(2,205)	(2,006)
CAPITAL EXPENDITURE		
Payments to acquire intangible fixed assets	(37)	(95)
Payments to acquire tangible fixed assets	(923)	(408)
Receipts from sale of fixed assets	28	48
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(932)	(455)
ACQUISITIONS AND DISPOSALS		
Receipts from sale of Matchtech Inc	105	0
EQUITY DIVIDENDS PAID	(5,428)	(4,124)
EBT CAPITAL DISTRIBUTION	0	(1,070)
CASH OUTFLOW BEFORE FINANCING	(1,159)	(664)
FINANCING		
Issue of ordinary share capital	9	6
Premium on issue of ordinary share capital	820	395
Costs incurred in respect of share issue	0	0
Resale of own shares	0	5
Bank loan	5,000	0
Repayments of bank loan	(1,250)	0
Cash received from trade debt financing	226,909	180,156
Payments to trade debt financing	(229,960)	(180,146)
NET CASH INFLOW FROM FINANCING	1,527	416
INCREASE/(DECREASE) IN CASH	369	(248)

matchtech GROUP PLC

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Consolidated Cash Flow Statement

for the year ended 31st July 2007

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
Operating profit	10,696	8,392
Depreciation and amortisation	499	412
Loss/(profit) on disposal of fixed assets	0	(4)
Increase in debtors	(7,516)	(2,207)
Increase in creditors	4,112	786
FRS20 Charge	321	161
Net cash inflow from operating activities	8,112	7,540

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £'000	2006 £'000
Increase in cash in the period	369	(248)
Cash outflow from bank loan	1,250	0
Cash (inflow) from bank loan	(5,000)	0
Cash outflow from trade debt finance	229,960	180,146
Cash (inflow) from trade debt finance	(226,909)	(180,156)
Change in net debt	(330)	(258)
Net debt brought forward	(9,508)	(9,250)
Net debt carried forward	(9,838)	(9,508)

ANALYSIS OF CHANGES IN NET DEBT

		At 1 Aug 2006 £'000	Cash flows £'000	At 31 Jul 2007 £'000
Net cash:	Cash in hand and at bank	290	369	659
Debt:	Trade debt finance	(9,798)	3,051	(6,747)
	Bank Loan	0	(3,750)	(3,750)
Net debt		(9,508)	(330)	(9,838)

Notes

forming part of the financial statements

1 PRINCIPAL ACCOUNTING POLICIES

i Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the group are set out below. The policies have remained unchanged from the previous year.

ii Turnover

Turnover is stated net of discounts and VAT. Turnover on temporary placements is recognised upon receipt of a client approved timesheet or equivalent. Turnover from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment. No provision is made for the cancellation of placements shortly after the commencement of employment based on past experience.

iii Amortisation

Software Licences are included at cost and amortised on a straight-line basis over the useful economic life of that asset at 20% - 33%.

iv Depreciation

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

Motor Vehicles	25.0%	Reducing Balance
Computer Equipment	25.0%	Straight Line
Equipment	12.5%	Straight Line

v Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the lease term.

vi 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 profit and loss account.

vii Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted by the balance sheet date.

viii Purchase of company own shares

In accordance with UITF 38 shares held in the company which are purchased by the EBT are shown within the reconciliation of movements in shareholders' funds and no gain or loss is recognised in the profit and loss account or statement of total recognised gains and losses.

ix Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

x FRS 20 'Share-based Payment'

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.

xi Basis of Consolidation

The consolidated accounts comprise the accounts of the parent company and its subsidiaries. The accounting date for the subsidiaries is 31st July 2007.

The company does not present its own profit and loss account as permitted by section 230 (3) of the Companies Act 1985.

The accounts of Matchmaker Personnel Limited and Matchtech Engineering Limited acquired on the 1st August 2002 have been incorporated in accordance with the principles of merger accounting. All other subsidiaries have been consolidated using the acquisition basis.

xii Financial Instruments

The Group uses financial instruments other than derivatives, comprising cash, liquid resources, the Working Capital Facility, the bank loan and various items such as debtors, creditors and other items that arise from its operations. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Interest receivable and payable is accrued and credited or charged to the profit and loss account in the period to which it relates.

2 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

	2007	2006
A geographic analysis of turnover is given below:	£'000	£'000
United Kingdom	202,779	156,686
Overseas	135	1,442
Total	202,914	158,128

	2007	2006
A segmental analysis of turnover is given below:	£'000	£'000
Engineering	129,434	103,431
Built Environment	40,046	31,617
Support Services	33,434	23,080
Total	202,914	158,128

Further analysis is not presented as in the opinion of the directors it would be seriously prejudicial to the interests of the group.

3 OPERATING PROFIT

		2007	2006
Operating profit is stated after charging:		£'000	£'000
Depreciation		499	412
Profit on disposal of fixed assets		0	(4)
Auditors' remuneration	- fees payable for the audit of the annual accounts	30	23
	- tax services	11	2
	- other services pursuant to legislation	119	0
Operating lease costs:	- Plant and machinery	8	5
	- Land and buildings	424	273
Net loss on foreign currency translation		4	3

4 PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to:	2007 No.	2006 No.
Selling	148	132
Administration	73	60
Directors	7	5
Total	228	197

The aggregate payroll costs of the above were:	2007 £'000	2006 £'000
Wages and salaries	9,183	7,312
Social security costs	1,082	971
Other pension costs	648	482
Total	10,913	8,765

Directors' Remuneration disclosures, as required by the Companies Act 2005, can be found in the Directors' Remuneration Report on pages 28 to 35.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Interest payable	831	492
Other interest	0	123
Total	831	615

6 DIVIDENDS

	2007 £'000	2006 £'000
Equity dividends paid during the year	5,427	4,124
Equity dividends proposed after the year-end (not recognised as a liability)	2,142	4,414

7 PARENT COMPANY PROFIT

	2007 £'000	2006 £'000
The amount of profit (loss) dealt with in the accounts of the company is	1,337	(3,612)

The company's profit and loss account was approved by the directors on 3rd October 2007.

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

		2007 £'000	2006 £'000
Current Tax:	UK corporation tax	2,371	2,058
	Prior year under provision	1	0
		2,372	2,058
Foreign tax		3	89
Total current tax		2,375	2,147
Deferred tax on timing differences (note 13)		(16)	(49)
Tax on profit on ordinary activities		2,359	2,098

UK corporation tax has been charged at 30% (2006 – 30%) and tax imposed overseas at the appropriate rate for the country.

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

		2007 £'000	2006 £'000
Profit on ordinary activities before tax		9,944	7,843
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%		2,983	2,353
Effects of:	Expenses not deductible for tax purposes	114	70
	Exceptional items not deductible for tax purposes	172	0
	Difference between depreciation and capital allowances for the period	3	14
	Under provision for previous years	1	0
	Higher rates on overseas earnings	1	61
	Franked investment income	(1)	(18)
	Tax loss on EBT loss/profit	4	6
	Tax relief on cost of options exercised in year	(902)	(339)
Current tax charge for period		2,375	2,147

Factors that may affect future tax charges

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a slightly lower level than in the current year.

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.

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 earnings per share information has been calculated as follows:			2007 £'000	2006 £'000
Profit on ordinary activities after taxation attributable to ordinary shareholders		Continuing operations	7,521	5,684
		Discontinued operations	64	61
Total			7,585	5745
			2007 '000s	**2006 '000s**
Weighted average number of ordinary shares in issue			22,470	21,600
Effect of dilutive potential ordinary shares			556	883
Total			23,026	22,483
			pence	**pence**
Earnings per ordinary share	- basic	Continuing operations	33.47	26.31
		Discontinued operations	0.29	0.29
Total			33.76	26.60
	- diluted	Continuing operations	32.66	25.29
		Discontinued operations	0.28	0.27
Total			32.94	25.56

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.

		2007 £'000	2006 £'000
Profit on ordinary activities after taxation		7,585	5,745
Cost of admission to AIM		572	0
Profit after tax of discontinued operations		(5)	(61)
Profit on sale of discontinued operations		(59)	0
Profit on ordinary activities after taxation but before non-recurring items		8,093	5,684
		pence	**pence**
Earnings per ordinary share	- basic	36.02	26.31
	- diluted	35.15	25.28

Notes

forming part of the financial statements

10 INTANGIBLE FIXED ASSETS

Group		Software Licences £'000
COST	At 1st August 2006	150
	Additions	37
	At 31st July 2007	**187**
AMORTISATION	At 1st August 2006	22
	Charge for the year	32
	At 31st July 2007	**54**
NET BOOK VALUE	At 31st July 2006	128
	At 31st July 2007	**133**

11 TANGIBLE FIXED ASSETS

Group		Motor Vehicles £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
COST	At 1st August 2006	1,194	947	514	2,655
	Additions	329	364	230	923
	Disposals	(116)	0	0	(116)
	At 31st July 2007	**1,407**	**1,311**	**744**	**3,462**
DEPRECIATION	At 1st August 2006	515	557	312	1,384
	Charge for the year	216	140	111	467
	Released on disposal	(88)	0	0	(88)
	At 31st July 2007	**643**	**697**	**423**	**1,763**
NET BOOK VALUE	At 31st July 2006	679	390	202	1,271
	At 31st July 2007	**764**	**614**	**321**	**1,699**

Capital commitments

	2007 £'000	2006 £'000
Authorised but not provided for in the accounts	0	65

12 INVESTMENTS

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Shares in group companies	0	0	250	250
Total	0	0	250	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

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 profit and loss account.

13 DEBTORS

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Trade debtors	31,672	24,261	0	0
Amounts owed by group companies	0	0	2,203	1,209
Other debtors	54	111	0	0
Deferred tax	126	110	0	0
Prepayments and accrued income	256	188	0	0
Total	32,108	24,670	2,203	1,209

Deferred tax asset arising from timing differences:	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
At start of year	110	158	0	0
Amounts arising during the year	96	110	0	0
Reversal of amounts relating to timing differences no longer applicable	(80)	(158)	0	0
At end of year	126	110	0	0

14 CREDITORS: Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	**1,843**	204	0	0
Working Capital Facility	**6,747**	9,798	0	0
Trade creditors	**54**	218	0	0
Amounts owed to group companies	**0**	0	0	654
Corporation Tax	**1,068**	950	**2**	0
Taxation and Social Security	**5,376**	3,512	0	0
Other creditors	**4,140**	3,354	0	0
Accruals and deferred income	**2,904**	1,277	0	0
Total	**22,132**	19,313	**2**	654

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.

15 CREDITORS: Amounts falling due after one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank loan	**2,083**	0	0	0

The bank loan is secured on the same basis as that of the working capital facility. Interest is charged on borrowings at a rate of 1.0% over Barclays Bank base rate.

16 COMMITMENTS UNDER OPERATING LEASES

			Group		Company	
At 31st July 2007 the group had annual commitments under			2007	2006	2007	2006
non-cancellable operating leases as set out below.			£'000	£'000	£'000	£'000
Land/buildings	Leases expire:	within 2 to 5 years	**200**	200	0	0
		after 5 years	**285**	257	0	0
Other	Leases expire:	within 1 year	**6**	0	0	0
		within 2 to 5 years	**3**	6	0	0

17 SHARE CAPITAL

Authorised share capital	2007 £'000	2006 £'000
40,000,000 Ordinary shares of £0.01 each	400	400

Allotted, called up and fully paid:	2007 £'000	2006 £'000
23,029,000 Ordinary shares of £0.01 each	230	221

The company issued the following shares in the year:

Date	Ordinary shares issued	Share premium received pence per share	Consideration Received £
27/10/2006	348,254	69.0	243,777.80
27/11/2006	31,955	366.0	117,115.08
27/11/2006	31,955	nil	319.55
22/12/2006	767	nil	7.67
30/01/2007	736	nil	7.36
26/02/2007	658	nil	6.58
30/03/2007	668	nil	6.68
27/04/2007	573	nil	5.73
25/05/2007	485	nil	4.85
01/06/2007	539,140	86.0	466,704.65
11/06/2007	947	87.0	838.83
25/06/2007	1,447	nil	14.47

EMI Share Options

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

	2007 '000s	2006 '000s	Date of grant	Excercise price pence	Exercise period
Key Share Options	0	238	05/03/2003	70	05/03/2004 to 05/03/2013
Key Share Options	48	143	18/06/2004	70	18/06/2005 to 18/06/2014
Key Share Options	34	432	08/11/2004	89	08/11/2005 to 08/11/2014
Key Share Options	218	225	01/12/2005	146	01/06/2007 to 01/12/2015
Target/Loyalty Share Options	3	61	05/03/2003	70	14/07/2005 to 05/03/2013
Target/Loyalty Share Options	2	36	18/06/2004	70	18/06/2005 to 18/06/2014
Target/Loyalty Share Options	6	78	08/11/2004	89	14/07/2006 to 08/11/2014
Target/Loyalty Share Options	72	81	01/12/2005	146	01/12/2006 to 01/12/2015
Long Term Incentive Plan Options	269	0	26/10/2006	1	27/10/2009 to 27/10/2016
Long Term Incentive Plan Options	8	0	26/01/2007	1	30/01/2007 to 30/01/2017
Total	**660**	1,294			

Notes

forming part of the financial statements

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.

In the year the company also introduced 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.

	2007		2006	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	'000s	(pence)	'000s	(pence)
Outstanding at 1st August	**1,294**	**95.5**	1,594	74.2
Granted	**295**	**1.0**	306	146
Forfeited	**40**	**69.5**	55	71.0
Exercised	**888**	**80.1**	551	61.6
Outstanding at 31st July	**661**	**75.6**	1,294	95.4
Exercisable at 31st July	**93**	**78.2**	478	70.0

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

	2007			2006		
Exercise Date	Weighted average remaining contract life	Number	Weighted average exercise price	Weighted average remaining contract life	Number	Weighted average exercise price
	(months)		(pence)	(months)		(pence)
01/06/2007	**0**	**0**	**0.0**	10	510	89.0
01/06/2008	**10**	**290**	**146.0**	22	306	146.0
27/10/2009	**27**	**277**	**1.0**	0	0	0.0
Total		**567**			816	

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 company introduced a Share Incentive Plan (SIP). The SIP is a 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 Return (%)	Fair Value (£)
27/10/2007	LTIP	3.45	0.01	30.4%	2.36	10%	4.6%	1.96
30/01/2007	LTIP	3.79	0.01	30.7%	2.36	10%	5.0%	2.20
27/11/2006	SIP	3.67	0.01	30.9%	2.36	10%	4.4%	3.67
22/12/2006	SIP	3.67	0.01	30.9%	2.11	10%	4.6%	3.67
30/01/2007	SIP	3.79	0.01	30.7%	2.56	10%	4.9%	3.79

- Volatility has been estimated based on the average volatility of comparator companies.
- The FRS20 charge for the year ended 31st July 2007 is £320,948 (2006: £161,373)

18 RESERVES

A) GROUP	Share premium	Share based payment reserve	Merger & EBT reserve	Profit & loss	Total
	£'000	£'000	£'000	£'000	£'000
At 1st August 2006	2,009	338	229	4,454	**7,030**
Profit for the year	0	0	0	7,585	**7,585**
Premium arising on shares issued in the year	820	0	0	0	**820**
FRS 20 credit	0	321	0	0	**321**
FRS 20 reversal	0	(273)	0	273	**0**
Dividends in the year	0	0	0	(5,428)	**(5,428)**
Shares held by EBT	0	0	(5)	5	**0**
Foreign Currency translation	0	0	0	3	**3**
At 31st July 2007	**2,829**	**386**	**224**	**6,892**	**10,331**

B) COMPANY

	Share premium	Share based payment reserve	Merger & EBT reserve	Profit & Loss	Total
	£'000	£'000	£'000	£'000	£'000
At 1st August 2006	2,009	0	0	(1,289)	**720**
Profit/(Loss) for the year	0	0	0	6,765	**6,765**
Premium arising on shares issued	820	0	0	0	**820**
Dividends paid in the year	0	0	0	(5,428)	**(5,428)**
At 31st July 2006	**2,829**	**0**	**0**	**48**	**2,877**

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

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

A) GROUP

		2007 £'000	2006 £'000
Profit for the financial year		7,585	5,745
New share capital issued		9	6
Premium on share capital issued		820	395
FRS20 reserve movement		321	161
Shares held by EBT		0	5
EBT capital distribution		0	(1,070)
Dividends		(5,428)	(4,124)
Foreign currency translation		3	(2)
Net increase to funds		3,310	1,116
Opening shareholders' funds	(2005: originally £2,827,000 before prior year adjustments for FRS20 and FRS 21 of £1,642,000)	7,251	6,135
Closing shareholders' equity funds		10,561	7,251

B) COMPANY

	2007 £'000	2006 £'000
Profit for the financial year	6,765	3,612
New share capital issued	9	6
Premium on share capital issued	820	395
Dividends	(5,428)	(4,124)
Net increase to funds	2,166	(111)
Opening shareholders' funds	941	1,052
Closing shareholders' equity funds	3,107	941

20 TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

The company was under the control 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 34.3%, 1.7%, 1.2%, 7.9% and 4.9% respectively, of the company's issued share capital.

There were no material related party transactions with the directors during the period. All other transactions with the directors are disclosed in notes 5 to the accounts.

21 FINANCIAL INSTRUMENTS

The Group's financial risk management strategy is discussed in the Group Financial Director's review. Further analysis is provided below.

Maturity of financial liabilities

The group financial liabilities analysis at 31July 2007 was as follows:

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
In less than one year or on demand:				
Bank and other borrowings	1,843	204	0	0
Working capital facility	6,747	9,798	0	0
In more than one year but less than two years:				
Bank and other borrowings	1,666	0	0	0
In more than two years but less than five years:				
Bank and other borrowings	417	0	0	0

Borrowing facilities

The undrawn facility available at 31 July 2007 of the Working Capital facility in respect of which all conditions precedent had been met was as follows:

	Group	
	2007	2006
	£'000	£'000
Expiring in one year or less	13,253	8,202

The working capital facility was reviewed by the facility providers in September 2007 and renewed for a further twelve months.

Net foreign currency monetary assets

	Group	
	2007	2006
	£'000	£'000
Euros	138	56
US Dollars	0	38

Fair Values

The Director's believe that the fair values of the financial assets and liabilities of the Group are not materially different from their book values.

Notice of Annual General Meeting

Matchtech Group plc

(Registered in England and Wales under registered number 4426322)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the Meeting) of Matchtech Group plc (Company) will be held at The Solent Hotel, Rookery Avenue, Whiteley, Fareham, Hampshire, PO15 7AJ on 23 November 2007 at 12.00pm for the following purposes:

Ordinary resolutions

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1 to receive and adopt the Company's annual accounts for the financial year ended 31 July 2007 together with the directors' report and auditors' report on those accounts.

2 to declare a final dividend of 9.3p per share for the year ended 31 July 2007.

3 to re-elect Tony Dyer who is retiring from office by rotation, as director of the Company.

4 to re-elect Adrian Gunn who is retiring from office by rotation, as director of the Company.

5 to re-elect Paul Raine who is retiring from office by rotation, as director of the Company.

6 to re-elect George Materna who is retiring from office by rotation, as non-executive director of the Company.

7 to re-elect Andrew White who is retiring from office by rotation, as non-executive director of the Company.

8 to reappoint Grant Thornton LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company in general meeting, at a remuneration to be determined by the directors;

9 that the directors are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (Act) to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to the aggregate nominal amount of £95,593. The authority hereby conferred shall expire, unless previously varied, renewed or revoked by the Company in general meeting, on the date of the Company's next annual general meeting, provided that the Company may, prior to such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry in which case the directors may allot such securities pursuant to such offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass the following resolutions which will be proposed as a special resolutions:

Special Resolutions

10 that, subject to the passing of resolution 9 set out in the notice convening this Annual General Meeting, the directors are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) as if Section 89(1) of the Act did not apply to any such allotment, provided that:

(a) the power conferred hereby shall expire on the date of the next annual general meeting of the Company unless renewed, extended, varied or revoked by the Company in general meeting;

(b) the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and

(c) such power is limited to:

(i) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the Company's capital in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and/or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory;

(ii) the allotment of equity securities pursuant to the terms of The Matchtech Group plc 2006 Long Term Incentive Plan and The Matchtech Group plc Share Incentive Plan or any other employees' share option scheme approved by the members in general meeting; and

(iii) allotments of equity securities for cash otherwise than pursuant to paragraph (c) (i) above up to an aggregate nominal amount of £20,000.

11 that:

(i) the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006, and without prejudice to the existing provisions of the articles of association of the Company, to send or supply documents or information to members by making them available on a website;

(ii) the Company may use electronic means (within the meaning of the Disclosure Rules and Transparency Rules Sourcebook published by the Financial Services Authority) to convey information to members; and

(iii) this resolution shall supersede any provision of the articles of association to the extent that it is inconsistent with this resolution.

By order of the Board

Tony Dyer

Proxy Notes

Matchtech Group plc

(Registered in England and Wales under registered number 4426322)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

1 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2 A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy are set out in the notes to the proxy form.

3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you must contact the Company's Registrar, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than noon on 21 November 2007.

4 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

5 To be effective, this form of proxy, duly completed, together with any power of attorney under which it is executed or a notarially certified copy of it (failing previous registration with the Company), must be lodged with the Company's Registrar, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to arrive not later than noon on 21 November 2007.

6 In the case of a corporation, this form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or a duly authorised officer of the corporation.

7 In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any of the joint holders. For these purposes, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.

8 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy and would like to change the instructions using another form of proxy, please contact the Company's Registrar, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

9 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrar, Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to arrive not later than noon on 21 November 2007.

In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised attorney or a duly authorised officer of the corporation. Any power of attorney or any such authority under which the revocation notice is signed or a notarially certified copy of it (failing previous registration with the Company) must be included with the revocation notice.

10 Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

11 Except as provided above, members who have general queries about the meeting should use the following means of communication (no other means of communication will be accepted):

(i)	In writing to:	Tony Dyer Company Secretary Matchtech Group plc 1450 Parkway Solent Business Park Whiteley Fareham Hampshire PO15 7AF	By email to: By telephone to:	tony.dyer@matchtech.com 01489 884341

You may not use the electronic address provided either:

(i) in this Notice of Annual General Meeting; or

(ii) any related documents (including the Chairman's letter and form of proxy),

to communicate with the Company for any purposes other than those expressly stated.

Notes

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No 1 Dorset Street
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Hampshire
SO15 2DP

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Solicitors
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