ONE GROUP ONE VISION

GROWING DIVERSIFYING ADDING VALUE

MATCHTECH GROUP PLC

Annual Report 2011

Matchtech Group is a leading technical, professional and outsourcing recruiting business with over 27 years' experience delivering bespoke recruitment projects and programmes.

The Group consists of 4 business units:

matchtech – Leading technical recruitment provider, specialising in contract and permanent recruitment services

BarclayMeade – Experts in professional services and executive search recruitment

Alderwood Education – Specialist recruiter in the education and training sector

elemense – Our recruitment process outsourcing solution provider

Each is a specialist in their own area of recruitment, they share our core values and work towards the Group's goal.

Our Goal:

Always exceed the expectations of our customers and lead the recruitment sector through effective delivery and quality of service.

Growing

our core technical base remains central to our business plan.

PG 08

Diversifying

the Group's client base and adding new revenue streams.

PG 10

Adding value

by developing strong client relationships and candidate loyalty.

PG 12

Highlights 2011

- Revenue £301.8m up 14% (2010: £264.4m)
- Net Fee Income[1] (NFI) £29.8m up 14% (2010: £26.2m)
- Permanent recruitment fees £9.4m up 54% (2010: £6.1m)
- Permanent fees now account for 32% of NFI (2010: 23%)
- Investment of £4.9m, £4.6m in additional sales force, support and marketing
- Profit from operations £6.8m down 23% (2010: £8.8m), reflecting investment in growth strategies
- Trading performance in H2 improved significantly, with profit from operations of £4.3m, up 72% from H1 £2.5m
- Basic earnings per share 20.3 pence down 23% (2010: 26.4 pence)
- Final dividend maintained at 10.6 pence per share
- Net debt of £16.0m (2010: £4.5m)

1 Net Fee Income (NFI) is calculated as revenue less contractor payroll costs.

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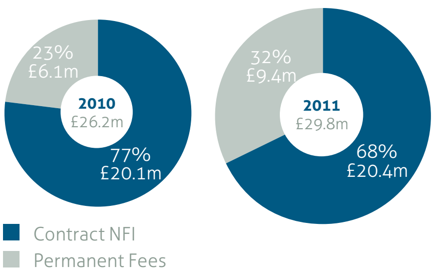
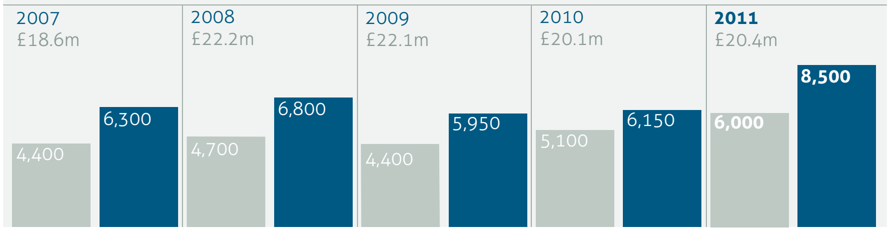
Operational Highlights

Net Fee Income Split (%)



Contract Activity (Contract NFI)

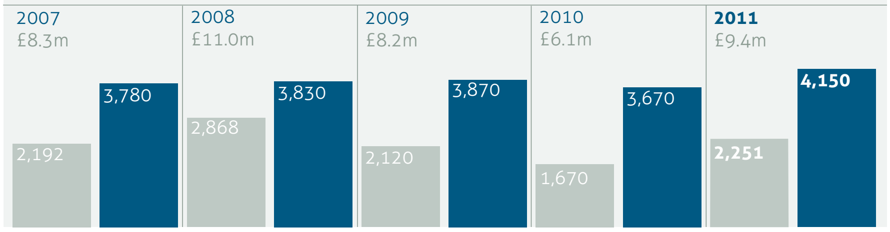


+38%
8,500 contract vacancies filled

+18%
6,000 contractors on assignment at year end

+1%
contract NFI £20.4m

Permanent Activity (Permanent Fees)

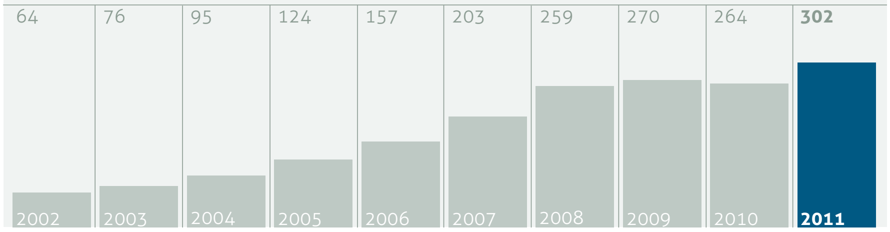


+33%
2,215 permanent placements

+13%
£4,150 average permanent fee

+54%
£9.4m permanent fees

Group Revenue (£m)



Group Strategy

The Group's Strategic Framework underpins the five year business plan.

Our **vision** is to be a leading international recruitment solutions group within the Technical, Professional Staffing & Recruitment Outsourcing sectors

Our **goal** is to "Always exceed the expectations of our customers and lead the Recruitment sector through effective delivery and quality of service"

Our **values** are:

Teamwork – Positive collaboration and mutual trust
Integrity – Responsible, honest and fair in our dealings with all stakeholders
Enthusiasm – Energy, passion and a drive in all we do
Innovation – Be creative and challenge the 'norm'
Fun – Enjoy what we do and celebrate success

Business Unit Strategy

matchtech
A contract focused niche Technical Recruitment company operating within Engineering, Built Environment, Science & Medical and Information Systems & Technology.

BarclayMeade
A high end permanent and interim recruitment business within the Professional Staffing space.

alderwood education
Specialist Education recruiter focusing on Work-Based Learning, Employability & Welfare to Work and Supply Teaching.

elemense
Outsourcing organisation who directly generate revenue through value added consultancy advice and direct recruiting activities.

Group Five Year Business Plan

Key aims

- Expanding our sector diversification and geographical reach
- Increasing the NFI we generate per employee
- Building our conversion ratio of NFI to profit from operations
- Improving our staff retention levels
- Enhancing internal systems performance and controls
- Maximising cross-selling
- Extending our international reach

Chairman's Statement

The investment proposition

> **Well balanced** Broad spread of sectors, clients and relationships
> **Established** Strong track record of organic NFI and profit growth
> **Flexible** Efficient systems and high operational flexibility
> **Resilient** Matchtech UK – Single site technical contract business model
> **Contractors** Record number on assignment
> **Permanent Fees** Capability and resource to increase rapidly
> **International** Expanding into selected markets

Trading Performance

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

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

Profits were impacted by a £4.9m investment in our growth strategies, with profit from operations of £6.8m, down 23% on 2010. Further information is provided in the Chief Financial Officer's Report.

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

Cash Flow & Net Debt

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

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

Dividend

Reflecting our confidence in the future and the strength and resilience of the business, the Board is pleased to propose, subject to shareholder approval at the Annual General Meeting, a final dividend for the year of 10.6 pence per share, which makes a total dividend for the year of 15.6 pence per share (2010: 15.6 pence) covered 1.3 times (2010: 1.7 times) by earnings.

People

The Group Executive Team was expanded in 2010 with the external appointment of Nigel Lynn (Managing Director of Barclay Meade & Alderwood Education) and Peter Collis (Managing Director of elemense), to join Keith Lewis (Managing Director of Matchtech UK) and David Rees (Group HR & Training Director). Together with Adrian Gunn, our CEO, and Tony Dyer, our CFO, the team has come together well through what has been and remains a period of significant change for the Group.

The Board is very conscious of the important roles that all our employees play in the success of the business.

We are a people business and our staff are our most important asset. We continue to develop strong people strategies to aid the wellbeing and development of our staff and are always striving for the Group to be a fun, vibrant and happy workplace.

The Board pays tribute to all our staff for their hard work and dedication, particularly through what have been challenging economic times.

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

Board and Corporate Governance

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

Richard brings additional recruitment sector expertise as the former Chief Executive of AIM listed Carlisle Group over an 11 year period, up to and including the merger to create Impellam

Growing the Group's core technical base is central to our business plan. We have built on our strong existing client relationships and taken the business into new markets where the Board believes there are opportunities for further growth.

Group plc. He is currently Chief Executive of UK based InHealth Group, a leading provider of diagnostics and imaging services.

This year I have reported separately on Corporate Governance in a Letter from the Chairman on page 34 of this report.

Markets

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

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

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

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

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

Strategy

Growing the Group's core technical base remains central to our business plan. Matchtech UK, which represents 79% of the Group's NFI, offers a resilient and robust platform.

Finding candidates and contractors with the right skills at the right time can sometimes be difficult, and there is still a skills shortage in some areas of the technical arena.

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

Importantly, Matchtech UK, benefiting from the skills and experience of its staff, our efficient processes and IT systems has maintained a high rate of conversion of NFI to profit from operations of 43.6% (2010: 41.9%).

We believe that our solid foundation, years of experience in this market and excellent customer service will enable us to continue to grow organically as the economy recovers. Over the coming years we will be looking at more opportunities to take this expertise into further overseas technical markets where we believe we can replicate the success of Matchtech in the UK.

Trading in Germany continues to gain momentum. We are now starting to make good progress within the Aerospace sector with a number of key Preferred Supplier contract wins which are fuelling our contractor growth. Developing a presence in the Automotive sector has been more challenging as client relationships have been slower to build.

Diversifying into new sectors under the Professional Services brands of Barclay Meade and Alderwood Education will give additional growth opportunities. In their first year, both new brands have made significant inroads into the market and are quickly establishing themselves as experts in their fields. Professional Services' NFI was £4.3m, up 43% (2010: £3.0m) and represented 14% of the Group's NFI (2010: 11%).

Adding value to our clients through our elemense brand will increase opportunities for the Group as a whole, while it also contributes through its own direct delivery. As I commented on above, our strategy of investing in and growing our sales force this year has started to show results with profit from operations of £4.3m in the second half of the year returning to the similar levels as seen in the previous two half years (2010 H1: £4.5m, 2010 H2: £4.3m).

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

Outlook

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

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

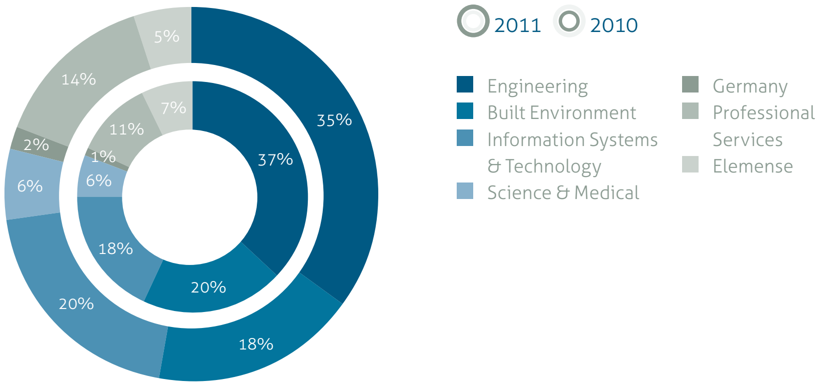
Overall, with the new structure now in place the Board is confident that the Group will continue to progress well over the coming years.

GMaterna

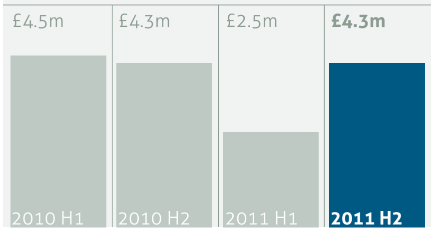
George Materna
Chairman
5 October 2011

Chief Executive's Review

NFI by sector



Half year profit from operations (£m)



Performance Overview

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

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

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

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

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

Strategic Developments

Commencing on 1 August 2010, the Group reshaped the business for the next stage of our development, introducing new brands and sectors to our portfolio.

Matchtech UK is now a purely technical business servicing 4 key sectors: Engineering, Built Environment, Information Systems & Technology and Science & Medical.

Contract NFI has been stable in 2011, with the increases in contractor numbers counteracted by a fall in contract margins from 7.5% in 2010 to 6.6% in 2011. This decrease in margins is largely due to the impact of the renewal of our 2 largest contracts at the end of last year. Permanent revenue has recovered strongly, with permanent fees of £6.1m, up 61% on 2010: £3.8m.

Engineering performed well throughout the year with NFI of £10.2m, up 5% (2010: £9.7m). Its performance was based around the increasing volume of contract recruitment under major framework agreements.

Built Environment's NFI remained stable at £5.3m (2010: £5.2m), despite challenging market conditions.

Information Systems & Technology grew strongly, with NFI of £6.0m, up 25% (2010: £4.8m). Our niche focus, along with a candidate skills shortage, is pushing up demand.

Science & Medical had a strong year with NFI up 27% to £1.9m (2010: £1.5m).

Germany's office in Stuttgart services the German technical marketplace, focusing on the Automotive, Aerospace and Energy sectors. Trading started in August 2009, and continued to gain momentum in 2011, with NFI of £0.6m (2010: £0.2m). We are now starting to make good progress within

Whilst the global economic environment continues to be uncertain, the performance of the Group and the structure we now have in place gives me confidence that the Group will continue to progress well over the coming years.

the Aerospace sector with a number of key contract wins, developing a presence in the Automotive sector has been slower.

Professional Services' 2 new brands both commenced trading on 1 August 2010.

Barclay Meade focuses on Accountancy, Marketing & e-commerce, Procurement & Supply Chain, Financial Services, HR, Sales, and Executive Search.

Alderwood Education focuses on Welfare to Work, Work-Based Learning and Supply Teaching.

Having invested heavily in Professional Services, it is very pleasing that both new brands have started to bed in and deliver growth in NFI. NFI in 2011 of £4.3m was up 43% (2010: £3.0m) and NFI in 2011 H2 of £2.5m was up 39% on 2011 H1: £1.8m.

The new office locations in London, St Albans and Aberdeen have enabled the business to identify many new client opportunities for the Professional Services businesses, whilst also allowing Matchtech to develop wider relationships with some of its existing clients.

elemense, our Recruitment Process Outsourcing business, allows us to broaden the scope of services we can provide to clients, including internal redeployment, direct recruitment and agency supply chain management. elemense continues to provide Account Management support for key clients, indirectly generating revenue for the Group.

The direct NFI for elemense fell this year due to a change in relationship with our largest client at the start of the 2011 financial year, whereby all revenue is now accounted for in Matchtech UK.

Business development activity has been high and we have secured a number of new contracts in the year.

Management and Staff

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

It is a privilege to lead a business that is so full of intelligent, talented individuals who continue to inspire and achieve success, in turn delivering results for the Group.

The changes made over the last 2 years in reshaping the business have been a challenge and one that may have been unsettling for some staff. Bringing different types of experienced staff into the business changes the dynamics of the workplace, but we have worked hard to foster relationships across our brands and develop opportunities for increasing business.

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

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

Business Plan

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

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

Outlook

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

Adrian Gunn
Chief Executive Officer
5 October 2011

Growing

The Group has grown successfully over the last 15 years and through the recession has demonstrated its ability to remain profitable.

The Group will continue to embrace the robust nature of the it's core business:

> Single site for Matchtech UK
> Niche focus
> Efficient systems
> High quality staff
> Contract driven
> Balance of Contract NFI and Permanent fees

Growing our core technical recruitment expertise, this solid foundation will enable the Group to grow organically, as the economy recovers, whilst retaining the resilience through the economic cycle.

The Group aims to continue winning business from competitors, increasing its reach within the core sectors that the Group operates:

> Engineering
> Built Environment
> Information, Systems & Technology
> Science & Medical

The Group plans to expand its Group's technical recruitment capability overseas. Our German business, which focuses on the Aerospace, Automotive and Energy markets, is showing good momentum and the Group will be investigating other opportunities overseas.

"The new structure implemented at the start of the year has enabled us to capitalise on our core strengths and experience in the technical arena, providing opportunities for further expansion."

Diversifying

Diversifying the Group's client base through our Professional Services and Outsourcing brands is already generating additional revenue streams and opportunities for the whole Group.

The launch of Barclay Meade and the opening of selective strategic office locations is enabling us to expand into new higher value markets. Barclay Meade focuses on high value, low volume niche recruitment within:

> Accountancy
> Procurement and Supply Chain
> Marketing and e-commerce
> Financial Services
> HR
> Sales
> Executive Search

Alderwood Education will further develop our education capability focusing on:

> Welfare to Work
> Work-Based Learning
> Supply Teaching

elemense, our dedicated RPO business, will broaden the range of our Recruitment Outsourcing services to clients which include:

> Internal redeployment
> Direct recruitment
> Agency supply chain management

"Diversifying into new sectors under the Professional Services brands of Barclay Meade and Alderwood Education and adding value to our clients through our elemense brand will increase opportunities for the whole Group."

Adding value

The world of recruitment is a competitive place. To be viewed as a market leader by both clients and candidates alike, we continually have to keep adding value to maintain and enhance our relationships.

Our central Shared Service resource provides our consultants with the tools and expertise to seamlessly deliver these 'Value Added' solutions.

Our **Legal & Compliance team** provides our clients and candidates with regular updates on current employment issues and trends in the form of quarterly newsletters, client meetings, presentations and seminars. Our aim is to guide and assist them through the maze of legislation, including the new Agency Workers Regulations, highlighting our expertise and minimising risk for all stakeholders. The team can also conduct impact assessments for clients on upcoming legislation.

Our **IT Systems team** continues to develop and enhance our own in-house Front Office Customer Relationship Management system, Back Office system and websites. This resource allows us to ensure our systems are kept at the cutting edge of recruitment software. It also allows us to streamline our processes by integrating with external third party recruitment platforms, such as online portals, allowing us to maintain our responsive delivery. We have also integrated client pay and bill systems, again to increase quality and improve process efficiencies.

Our **Marketing team** provides creative expertise and media selection for branded advertising, as well as the logistical support to run effective candidate assessment centres. They have also been instrumental in the successful launch of our 2 new Professional Services brands, Alderwood Education and Barclay Meade.

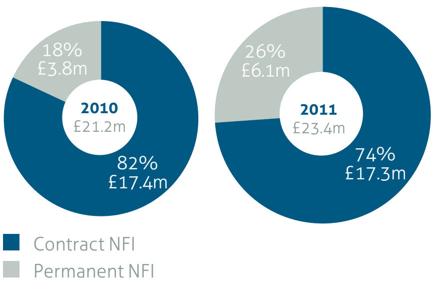
We believe this ongoing investment in value added services will help us achieve our Goal:

"Always exceed the expectations of our customers and lead the recruitment sector through effective delivery and quality of service."

Operational Review
Matchtech

Keith Lewis
Managing Director
Matchtech UK

2011 Net Fee Income Split (£m)



Matchtech UK Strategic Objectives

The new structure implemented at the start of the year has enabled us to capitalise on our core strengths and experience in the technical arena, providing opportunities for further expansion and diversification.

The key objective is to maximise profit by:

> Maintaining historically high Net Fee Income (NFI) conversion
> Continuing to be one of the UK's leading Information Technology recruitment companies
> Establishing Matchtech as a leading specialist in the Science & Medical sector
> Significantly increasing our market share within Renewable Energy, Rail and Power & Nuclear
> Using our UK technical expertise and client relationships in the German recruitment market

Matchtech UK

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

Contract NFI was essentially unchanged at £17.3m (2010: £17.4m) with the margin reductions from the extension of our 2 largest contracts balanced out by an increase in contractor volumes up 23% from 4,300 at 31 July 2010 to 5,300 at 31 July 2011.

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

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

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

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

Clients have continued with procurement-led initiatives to streamline their supply chains. We have responded by winning increased levels of exclusivity.

As our markets gradually recover we have started to reap the rewards of those agreements and increased our market share.

Engineering Sector

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

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

Clients have continued with procurement-led initiatives to streamline their supply chains. We have responded by successfully winning increased levels of exclusivity.

Marine, Automotive, Aerospace, Rail and Energy

Marine: Within the Marine industry we continue to be involved in a range of Defence industry programmes which are at various phases of design and build. We have a leading presence in the commercial marine marketplace and are expanding into the shipping marketplace.

The Government's Comprehensive Spending Review in October 2010 did not have a significant impact on the Marine business's clients, with the confirmed build of the 2 new QE Class aircraft carriers.

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

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

Rail: Opportunities are expected to come via our increasing presence in the Rolling Stock sector.

Energy: Our focus in this area is on Oil & Gas and the Renewable Energy marketplaces where we have opened up new opportunities within the existing Aberdeen client base. Further expansion is planned in order to focus on the Offshore and Subsea markets where we have clearly established ourselves over the years as a specialist player. The synergy that exists between clients in these areas and those in the Renewable Energy sector has enabled us to build a solid platform from which to develop further, particularly with the Round 3 announcement that between 2015 and 2030 almost 10,000 turbines and foundations will be required around the coast of the UK.

Built Environment Sector

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

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

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

Whilst areas such as Highways and Traffic remain cautious following the effects of the Government's spending review, there have been clear signs of recovery within Water, Rail and Buildings.

It is within these areas that we have made further investment in sales force headcount.

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

Information Systems & Technology Sector

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

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

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

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

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

Science & Medical Sector

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

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

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

Growing our Core Expertise

We will continue growing our core technical recruitment expertise.

Our solid foundation, years of experience in this market and excellent customer service will enable us to continue to grow organically, as the economy recovers.

Over the coming years we will be looking at further opportunities to take this expertise overseas into technical markets where we believe we can replicate the success of Matchtech in the UK.

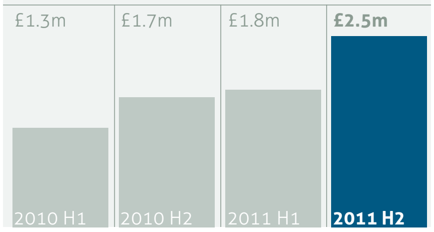
Operational Review: Professional Services

Professional Services Performance

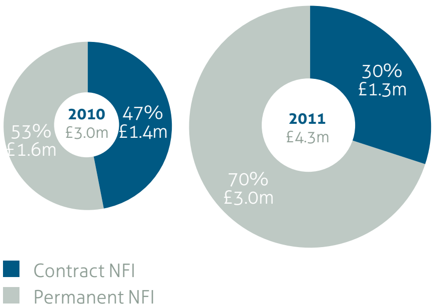
All the growth came from increased permanent fees up 88% in the year to £3.0m (2010: £1.6m). The average fee per placement rose 52% to £4,400 (2010: £2,900), reflecting the increased amount of higher margin permanent business.

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

Half Year Net Fee Income (NFI)



2011 Net Fee Income Split (£m)



Barclay Meade Strategic Objectives

Barclay Meade will focus on delivering a partnered solution to its customers, managing the talent pool through its expertise, in its defined vertical markets.

The key objective is to grow NFI and profit quickly by:

> Building a brand with experts recruiting experts
> Creating a genuine partnering approach with the customer
> Delivering innovative, tailored solutions by understanding the clients' issues and requirements
> Ensuring in-depth knowledge of the available talent pool within each market

Barclay Meade

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

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

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

Whilst the time taken to recruit was elongated and the challenge of identifying and recruiting suitable high quality consultants still remains, the business is becoming established in all areas.

As shown by the growth in NFI reported above, Barclay Meade for a new brand, has made considerable progress during its first year of trading.

The pace of future growth will be partly determined by the rate of any macroeconomic recovery.

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

Our new brands, Barclay Meade and Alderwood Education, have made considerable progress during the year. The pace of future growth will be partly determined by the rate of the macroeconomic recovery.

Nigel Lynn
Managing Director
Barclay Meade & Alderwood Education

Alderwood Education Strategic Objectives

Alderwood Education will focus on developing a robust and comprehensive Education and Training service across Work-Based Learning, Welfare to Work and Supply Teaching.

The key objective is to grow the brand by:

> Ensuring a compliance driven solution
> Delivering a fast and accurate service
> Innovating through technology
> Creating expert knowledge of the market place

+43%

NFI for the year was up 43% to £4.3m (2010: £3.0m).

Alderwood Education

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

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

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

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

Alderwood has secured the services of Lord Knight as a Non-Executive Advisor. Lord Knight was previously the Minister of State for Schools, Employment and Welfare Reform.

Operational Review: elemense

elemense is the Group's provider of Recruitment Process Outsourcing (RPO) solutions. Already operating with a range of clients across industry sectors, elemense focuses on transforming how businesses attract, deploy and retain talent.

Peter Collis
Managing Director
elemense

elemense Strategic Objectives

Addressing the need to deliver high levels of quality to our clients and expand the services the Group provides.

The key objective is to aid the growth in Group NFI by:

> Strengthening the existing relationships of the Group's key clients
> Providing value added services to all Group clients
> Enhancing the direct delivery capability of elemense

Performance

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

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

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

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

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

elemense benefits from the historic strength of Matchtech Group within the Engineering and Technical Recruitment markets for lead generation and delivery capability, but also from its ability to act independently of the Group as and when required.

Indicators suggest that clients will continue to become more sophisticated in the demands for recruitment solutions to meet a wide range of business challenges and resourcing needs. Resourcing challenges currently vary widely.

Efficient and effective candidate sifting and assessment methods are key in those sectors in which candidates are plentiful.

Improved attraction methods, multiple routes to the candidate market and an enhanced candidate experience are vital in industries in which there are candidate shortages.

Our medium-term goal is to win business outside the technical marketplace and provide the client with a direct service delivery model. This will drive the profitability for this business unit and the Group without impacting on our core technical brand.

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

Human Resources

David Rees
HR & Training Director
Matchtech Group plc

Human Resources Strategic Objectives

With the future success of the Group intrinsically based around the performance of our staff, our people objectives are to:

> Attract and recruit the best talent we can
> Ensure excellent employee engagement and 2-way communication
> Create career opportunities
> Provide first class training and mentoring across the Group

Overview

We are taking a proactive lead in changing the perception of recruitment and have created a strong set of ethics and values to support our vision and goals.

Matchtech is one of the first recruitment agencies to be awarded the Recruitment & Employment Confederation (REC) Audited status, which represents the 'Gold Standard' of the corporate REC membership.

We are a vibrant organisation and our values are the fundamental reason why we continue to develop strong client relationships and candidate loyalty.

The Group has 5 core values to which we encourage all staff to adhere:

> **Teamwork** Positive collaboration and mutual trust
> **Integrity** Responsible, honest and fair in our dealings with all stakeholders
> **Enthusiasm** Energy, passion and a drive in all we do
> **Innovation** Be creative and challenge the 'norm'
> **Fun** Enjoy what we do and celebrate success

We believe living these values will help us achieve our goal:

"Always exceed the expectations of our customers and lead the recruitment sector through effective delivery and quality of service."

The reshaping of the organisation at the end of last year, including the launch of the new brands of Barclay Meade and Alderwood Education, created a number of new exciting challenges for the Group, especially for those supporting the initiatives in our Shared Service departments. The Human Resources team has adapted quickly and efficiently to the increasing need of the business.

The need to attract and recruit high quality staff for the expanding Group across several new locations, including Germany, has been paramount.

Importantly, our Trainers have provided on-site support and training to the new staff ensuring that they understand the Group's culture, values, systems and processes.

The ambitious plans for the development of the Group rely heavily on the effective delivery of HR support to all the people in the organisation.

We will be introducing new technology to streamline the delivery and accessibility of services, particularly our comprehensive and successful staff appraisal process.

Staff Numbers and Attrition

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

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

Human Resources

350
Staff at end of period was 350, up 18% (2010: 297)

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

We recognise that successful employee engagement revolves around good, regular internal communication. The need to maintain a proactive 2-way exchange of information is key to understanding the key motivators of our staff.

We conduct regular staff surveys, gaining useful feedback which helps us to shape our people strategies. The last survey was undertaken in November 2010. On a quarterly basis we communicate to all staff the performance of the Group against our strategic plans.

The provision of effective and consultative recruitment services relies upon the continuity and development of mutually beneficial business relationships. This same principle underpins the relationship between a business and its own people.

Personal development is a key factor in employee satisfaction and a growing business creates its own career opportunities for staff and we therefore continue to focus on and improve our talent management process.

Training
By placing continued and significant emphasis on developing our staff skills and our continued investment in training, we have expanded our in-house learning and development capabilities this year.

We have also made further investment in our Graduate Training Programme to meet future demand for sales staff.

By enhancing our leadership training across the business we aim to ensure that all management staff have the required competency to manage and develop their own staff to a high level.

At the same time we are coaching our senior management team to aid their strategic thinking.

Diversity
We believe that diversity is a business issue and needs to be managed accordingly. Unless we are able to attract and retain talented individuals from a broader range of backgrounds than has been the case historically, we will fail to realise our plans for the coming years.

The Group understands that it is essential to attract and retain talented individuals who reflect the diverse nature of the areas in which we work.

The Group has policies in place to ensure that our candidate attraction does not exclude any individuals based upon diversity, and recruits staff purely based upon their abilities.

Although currently there are no women on the Board or Executive Team, women account for 20% of management and 40% of all employees.

The Board recognises the benefits of having a diverse cross-section of people in senior management positions. It understands that the gender imbalance needs to be addressed at these levels and will continue to dedicate time over the coming months to consider diversity.

The provision of effective and consultative recruitment services relies upon the continuity and development of mutually beneficial business relationships. This same principle underpins the relationship between a business and its own people.

Core Values Chart

External Community

The Group recognises the importance of its links with the communities in which it operates and with the increasing needs of staff to feel their employers are engaged in positive action.

The Group encourages and supports our staff in undertaking charitable work, fundraising, volunteering activities and sports and social activities. The Group's current chosen charity is Friends of PICU, the charity supporting the Paediatric Intensive Care Unit at Southampton General Hospital, www.friendsofpicu.org.uk.

Corporate and Social Responsibility

Matchtech Group is committed to doing business responsibly in its interaction with clients, the environment, and within the local community.

Teamwork, Integrity, Enthusiasm, Innovation and Fun are the underlying values that we expect in the make-up of our people, and these values are the basis of our approach to Corporate and Social Responsibility (CSR).

Delivering a responsible service to our clients means upholding the highest professional standards. Through active membership of our professional body, the REC, and by supporting the Advocacy Programme, we are helping to raise professional standards in our industry. In the last 2 years, key individuals received recognition for their contribution, receiving awards at the governing body's annual awards in the categories of Best Newcomer and Best Contract Consultant.

Interacting responsibly with the environment is about minimising our impact. For our business, this is about energy reduction and recycling, and we have taken steps over the last 2 years to reduce energy consumption by increased use of timers to turn off equipment not in use, by switching to paper from sustainable sources, and by further reducing our Company vehicle carbon emission limits.

Over the coming months we will be bringing together all aspects of the Group's CSR activities under one overarching policy to help ensure that we maximise the benefits we can give.

Chief Financial Officer's Report

The Group has remained profitable throughout the turbulent markets of the last 3 years.

We took positive action early in the recession by reducing costs and flexing our resources to meet demand.

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

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

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

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

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

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

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

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

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

Contract NFI was up 1% to £20.4m (2010: £20.1m) reflecting the reduced margins from the renewal of our 2 largest contracts in late 2010.

Trading performance improved significantly in H2, with profits from operations of £4.3m up 72%, (2011 H1: £2.5m), returning to comparable levels to those in each of the previous two half-years (2010 H1: £4.5m, 2010 H2: £4.3m).

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

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

Overheads and NFI Conversion

In the year the Group made significant investments in both the core business and especially in establishing the new brands, growing our headcount from 297 at 31 July 2010 to 350 at 31 July 2011.

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

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

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

Profit & Earnings Per Share

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

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

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

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

Dividends

The Board proposes an unchanged final dividend for the year of 10.6 pence per share which, if approved by shareholders at the Annual General Meeting, to be held on Friday 18 November 2011, will be payable on 2 December 2011 to those shareholders registered on 4 November 2011.

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

Group Consolidated Statement of Financial Position

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

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

Capital Expenditure and Tangible and Intangible Assets

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

Tangible assets at 31 July 2011 of £1.5m (2010: £1.6m) consist of the Group's motor fleet, office equipment and computer equipment.

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

At 31 July 2011 the Group did not carry any goodwill on its Consolidated Statement of Financial Position.

Working Capital, Cashflow and Net Debt

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

This resulted in an increase of £11m in monthly billings (including VAT) from £21m in January 2011 to £32m in July 2011.

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

Cash flow may be summarised as:

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

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

Chief Financial Officer's Report continued

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

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

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

Group Financial Risk Management
The Board reviews and agrees policies for managing financial risks. The Group's Finance function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It seeks to ensure that adequate liquidity exists at all times in order to meet its cash requirements.

The Group's strategy is to finance its operations through a mixture of cash generated from operations and, where necessary, equity finance and borrowings by way of bank facilities and working capital Confidential Invoice Discounting finance.

The Group's financial instruments comprise borrowings, cash and various items, such as trade receivables and trade payables that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group does not trade in financial instruments. The main risks arising from the Group's financial instruments are described below.

Liquidity and Interest Rate Risk
The Group had net debt of £16.0m at the year end, comprising £16.5m debt less £0.5m cash. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loan and sales financing facility debt obligations. Bank interest is charged on a floating rate basis.

Credit Risk
The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 14% of total receivables balances at 31 July 2011.

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

Structuring the Group for the Future
The Group has remained profitable throughout the turbulent markets of the last 3 years.

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

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

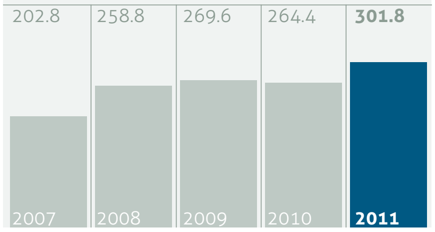
We continue to invest in the latest technology, combining candidate attraction with our strong service delivery capability.

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

Tony Dyer
Chief Financial Officer
5 October 2011

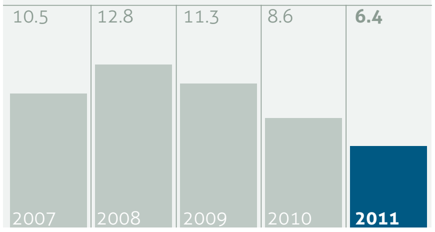
Key Performance Indicators

Revenue (£m)



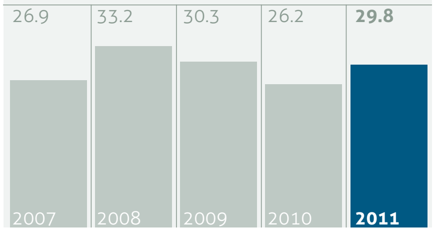
The Group's revenue for the year was £301.8m, up 14% (2010: £264.4m) and reflects the Group's resilience through economic instability. It is a reflection on the Group's broad spread of clients across many sectors, working on long-term infrastructure projects. Many key relationships are in framework agreements which have provided a measure of resilience during the recent economic conditions.

Profit before tax (£m)



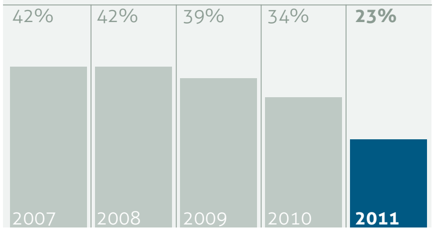
The Group generated profit before tax of £6.4m in the year, down 26% (2010: £8.6m).

Net fee income (£m)



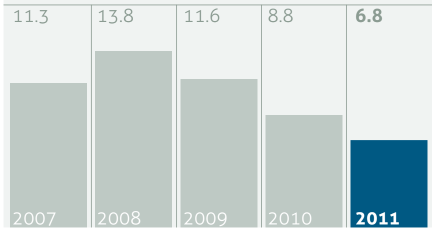
The Group generated £29.8m of NFI for the year up 14% (2010: £26.2m). Contract NFI was up 1% to £20.4m (2010: £20.1m) reflecting the reduced margins from the renewal of our two largest contracts in late 2010. Permanent fees of £9.4m were up 54% (2010: £6.1m) as a result of a recovery within the Matchtech UK core business and the investment in the new Professional Services brands as they start to become established.

NFI conversion (%)



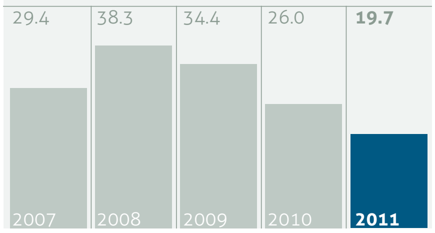
In the year we made significant investment in growing our headcount, both in the core business and in the new Professional Services brands. Although the results of this early investment are starting to be reflected in increased NFI, the growth was slower than initially anticipated. This has impacted on our NFI conversion for the year which has reduced to 23% (2010: 34%).

Profit from operations (£m)



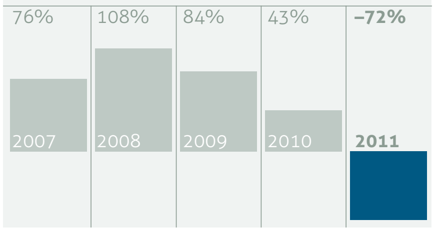
The investment made in the business in the year, and therefore the fall in NFI conversion, has delivered profit from operations for the year of £6.8m (2010: £8.8m) down 23%.

Diluted earnings per share (pence)



Diluted earnings per share for the year were 19.7 pence down 24% (2010: 26.0 pence).

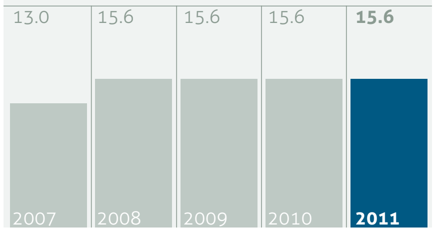
Operating cash conversion (%)



The volume of activity grew significantly in the second half of the year, with contractors on assignment increasing by 800 (15%) to 6,000 at 31 July 2011. Because the Group pays its contractors before it is paid by its customers, the resulting increase in debtors has increased the working capital requirement in the year, and resulted in an outflow of cash.

In July 2011 we increased our banking facilities by £10m for £35m committed until April 2013.

Dividend per share (pence)



The Board is committed to maintaining a strong dividend policy and therefore proposes an unchanged final dividend for the year of 10.6 pence per share which, when added to the interim dividend of 5 pence per share, makes an unchanged total dividend for the year of 15.6 pence per share.

Board of Directors

George Materna (58)
Non-Executive Chairman
George Materna has 30 years' experience in the recruitment industry and is the founder of the Group, having founded Matchmaker Personnel in 1984 and Matchtech Engineering in 1990, before combining the 2 businesses in 2002 to form Matchtech Group plc.

Adrian Gunn (46)
Chief Executive Officer
Adrian Gunn joined the Group in 1988 as a recruitment consultant and was appointed as 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 Chief Executive Officer in 2007 and heads the Executive Team.

Tony Dyer (42)
Chief Financial Officer
Tony Dyer is a Fellow of the Chartered Institute of Management Accountants. After qualifying in 1995 he joined the Group in 1996. Following a period as Management Accountant and Financial Controller, he was appointed to the Board in 2004.

Ric Piper (59)
Non-Executive Director
Ric Piper 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. Ric is a member of the Financial Reporting Review Panel. He has been a member of the Group Board since 2006.

Stephen Burke (51)
Non-Executive Director
Stephen 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. 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 from 2001 until 2005. Stephen was appointed as Chief Executive Officer of Healthcare Locums plc in May 2011. He has been a member of the Group Board since 2006.

Andy White (55)
Non-Executive Deputy Chairman
Andy is 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.

Richard Bradford (48)
Non-Executive Director
Richard has a background in solutions and services businesses. He was Chief Executive of AIM listed Carlisle Group from 1997 to 2008, up to and including the merger to create Impellam Group, and was previously Chief Executive of LPM Group, a private equity backed mid-market group of facilities management investments. He is currently Chief Executive of UK-based InHealth Group, a leading provider of diagnostics and imaging services. Richard joined the Board on 3 August 2011.

Executive Management

Keith Lewis (45)
Managing Director, Matchtech UK
Keith is the Managing Director of Matchtech UK and is responsible for all of our UK operations across the Engineering, Built Environment, IS&T and Science & Medical sectors. Keith, a Fellow of the Institute of Recruitment Professionals (FIRP), joined us in 1993 as a Senior Consultant, before progressing to his current position. Keith is also on the Steering Committee for the Engineering & Technical sector at the Recruitment & Employment Confederation (REC).

Nigel Lynn (50)
Managing Director, Barclay Meade and Alderwood Education
Nigel has over 23 years' experience in the professional staffing recruitment industry. He is a qualified Accountant, having had experience with Westland Helicopters, Max Factor and Meggitt Holdings. He founded his own accountancy recruitment business, which was successfully sold in 2005. He was then recruited to build the professional staffing business of Carlisle Holdings plc. He was promoted to Managing Director of Professional and Technical business following the merger forming Impellam plc. Nigel joined the Group in early 2010 in order to build the Professional and Education businesses.

Peter Collis (46)
Managing Director, elemense
Peter joined the Group in July 2010, bringing 15 years' experience in the Business Process Outsourcing and recruitment sectors. He is the Managing Director of our Recruitment Process Outsourcing (RPO) division, elemense. Before joining us, Peter was a Board Member at Wynnwith Group, responsible for its major accounts business. He started his career in Engineering & Procurement at BAE Systems, before moving to Accenture to specialise in Supply Chain Outsourcing and Consulting. Following a move into recruitment, Peter established Hyphen as an RPO business at Spring Group and led the business as its Managing Director.

David Rees (44)
HR Director & Training
David is our HR Executive, responsible for our HR Policy and staff development, training and recruitment required to meet the Group's strategic goals. He specialises in developing staff of all levels. David has worked with us for 19 years, starting first as a Consultant in our Marine, Oil & Gas division. He has worked hard to advance his position, achieving Department Manager status in 1998 and Divisional Director in 2002. In 2008, David was asked to lead our new HR & Training initiatives, and in 2009 was appointed as an Executive Director.

Directors' Report

In accordance with the requirements of the Companies Act 2006, the Directors present their Annual Management Report on the affairs of the Company and the Group, together with the audited financial statements for the year ended 31 July 2011.

These will be laid before shareholders at the Annual General Meeting (AGM) to be held at 12.00 hours on Friday 18 November 2011. Details of the business to be considered at the AGM, together with an explanation of all the resolutions, are set out in the separate Notice of Meeting.

Principal Activities and Business Review

Matchtech Group plc is the ultimate holding Company of a group of companies.

A full description of the Group's principal activities, business, performance, likely future developments and principal risks and uncertainties is provided in the Chairman's Statement, the Chief Executive's Review, the Operational Review and the Chief Financial Officer's Report, the Corporate Governance Report and the Directors' Remuneration Report, which are incorporated by reference into this report.

A list of principal subsidiary undertakings and the countries in which they operate (Note 13 to the financial statements) is also incorporated into this report by reference.

Financial Instruments

Details on the use of financial instruments and financial risk management are included in Note 20 to the financial statements

Results and Dividends

The Group profit after tax for the year of £4.7m (2010: £6.1m) is shown in the Consolidated Income Statement.

In respect of the year ended 31 July 2011, an interim dividend of 5.0 pence per share was paid on 21 June 2011. The Directors have proposed a final dividend of 10.6 pence per share which, if approved by shareholders at the AGM to be held on Friday 18 November 2011, will be payable on 2 December 2011 to those shareholders registered on 4 November 2011.

Dividends Paid

	Paid on	**2011 £'000**	2010 £'000
10.6 pence per share	4 December 2009	**-**	2,468
5.0 pence per share	23 June 2010	**-**	1,165
10.6 pence per share	3 December 2010	**2,474**	-
5.0 pence per share	21 June 2011	**1,172**	-
		3,646	3,633

Dividends Proposed

	To be paid on	**2011 £'000**	2010 £'000
10.6 pence per share	3 December 2010	**-**	2,474
10.6 pence per share	2 December 2011	**2,479**	-
		2,479	2,474

Directors' Report continued

Directors

The Directors who served during the period and at the date of this report are:

Executive Directors

Adrian Gunn (Chief Executive Officer)
Tony Dyer (Chief Financial Officer)

Non-Executive Directors

George Materna (Chairman)
Andy White (Deputy Chairman)
Stephen Burke
Ric Piper

There were no changes to the composition of the Board of Directors (the Board) during the year ended 31 July 2011. Richard Bradford was appointed as a Director with effect from 3 August 2011.

The biographical details of the Directors of the Company as at the date of this report are set out in the Board of Directors on page 26.

Under the Company's Articles of Association all Directors must retire at the first AGM following their appointment by the Board and may offer themselves for election by shareholders. Richard Bradford, following his appointment by the Board as a Director from 3 August 2011, will stand for election at the AGM.

In line with the requirements of the UK Corporate Governance Code, which has applied to the fully listed companies since 1 April 2011 and which the Company has voluntarily chosen to comply with, all other Directors will retire at the AGM and, being eligible, will offer themselves for re-election. The Board considers that the performance of each of the Directors continues to be effective and that each of them demonstrates a strong commitment to their role.

Directors and Officers of the Company and its subsidiaries benefit from Directors' and Officers' liability insurance cover, in respect of legal actions brought against them. In addition, Directors of the Company are indemnified in accordance with Article 170 of the Company's Articles of Association, to the maximum extent permitted by law. Neither the insurance nor the indemnities provide cover where the relevant Director or Officer has acted fraudulently or dishonestly.

The Board may exercise all the powers of the Company, subject to the provisions of relevant legislation, the Company's Memorandum and Articles of Association and any directions given by a special resolution of the shareholders. Specific powers are detailed in the Company's Articles of Association, including the power to issue and buy back shares, along with the rules for the appointment and removal of Directors.

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 Directors' Remuneration Report.

Directors' Conflicts of Interests

Each Director is required, in accordance with the Companies Act 2006, to declare any interests that may give rise to a conflict of interest with the Company on appointment and subsequently as they arise. Where such a conflict, or potential conflict arises, the Board is empowered under the Company's Articles of Association to consider and authorise such conflicts as appropriate.

Articles of Association

The Company's Articles of Association set out the Company's internal regulation and cover such matters as the rights of shareholders, the appointment and removal of Directors, the power to issue and buy back shares and the conduct of the Board and general meetings.

A copy of the Company's Articles of Association is available on the Group's website (www.matchtechgroupplc.com) or on request from the Company Secretary.

Amendments to the Articles of Association must be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company.

In accordance with the Company's Articles of Association, Directors can be appointed or removed by the Board or by shareholders in a general meeting. Subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of the shareholders, the Board may exercise all the powers of the Company and may delegate authorities to committees and management as it sees fit. Details of the main committees of the Board are contained in the Corporate Governance Report (pages 34 to 38).

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.

Principal Risks

The Board's assessment of the Principal Risks and Uncertainties, the Group's policy and its mitigations are detailed on page 32.

Substantial Shareholders
In addition to the Directors' interests shown in the Remuneration Report, and in accordance with Part 22 of the Companies Act 2006, 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	33.65
Octopus Investments Limited	10.50
AXA Framlington	8.45
Paul Raine	7.72
Andrew White	4.11
British Steel Pension Fund	4.11

Corporate Governance
The Corporate Governance report is set out and is incorporated into this report by reference.

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

Bribery
The Matchtech Board has made a commitment to carry out business fairly, honestly and openly and has also demonstrated a commitment to zero tolerance towards bribery. A copy of the Matchtech High Level Commitment Statement is included below.

Anti-Bribery High Level Commitment Statement
Matchtech Group plc is a leading technical, professional and outsourcing recruitment group with over 27 years' experience. We value our reputation for ethical behaviour and financial integrity and responsibility.

The Group and its senior management are committed to ensuring full compliance with all anti-bribery and corruption laws and have a policy of zero tolerance.

Matchtech Group plc believes in the highest standards of professional conduct and all Group employees are expected to carry out business fairly, honestly and openly and in accordance with Group policies.

The standards expected of all employees are detailed in the Group's Anti-Bribery, Gifts and Entertainment, Conflicts of Interest and Whistleblowing policies which have been put in place to help prevent bribery and provide a vehicle for confidential reporting. Disciplinary action, including dismissal, may be taken against any employee found to be in breach of any policy.

The Group's main Board and Legal and Compliance Department have worked hard in the development and implementation of bribery prevention procedures in order to maintain our reputation and ensure customer and business partner confidence. Our values and ethical business behaviours are the fundamental reason why we continue to develop strong client relationships and candidate loyalty.

Matchtech Group plc aims to only work with companies that have made the same commitment to preventing bribery as we have.

Environment
The Group remains committed to operating in an environmentally responsible manner, and is accredited to the Environmental Standard ISO 14001:2004. The Directors consider the impact on the environment in making their decisions.

The Community, including Charitable and Political Donations
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 £17,000 (2010: £15,000). 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.

Employees
The Board recognises that the Group's employees are its most important asset. Further information is provided in the Human Resources Review on pages 19 to 21.

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 wellbeing. 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 2011 approximately 51% of the Company's share capital is held by Directors, senior management and other employees.

Directors' Report continued

During the year the Group operated a Long-Term Incentive Plan (LTIP) and a Share Incentive Plan (SIP). The LTIP cascades through the organisation, with approximately 49% of staff eligible to participate, and the SIP is open to all staff. The Group also has a number of share options yet to be exercised from its Enterprise Management Incentive Scheme (EMI).

Policy on the Payment of Creditors

The Group's policy is to agree Terms and Conditions for its business transactions with suppliers and to endeavour to abide by these Terms and Conditions, subject to the supplier meeting its obligations.

No one supplier arrangement is considered to be essential to the business of the Group. The Group had 9 creditor days (2010: 9 days) outstanding at 31 July 2011, based on the average daily cost of sales and invoicing during the year.

The Company, as a holding company, did not have any amounts owing to trade creditors as at 31 July 2011 (2010: £nil).

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 18001:2007. The Group also has procedures in place to comply with all legal and contractual obligations relevant to the Group's activities.

Quality

The Group is ISO 9001:2000 accredited. As one of the UK's leading specialist recruitment agencies, the Group 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 Group employees.

This quality policy, and the resultant management systems and Objectives are under constant review to ensure continual improvements in systems and performances. All interested parties are encouraged to participate in this process.

Business Continuity

The Group is BS25999 accredited. The Group has a robust business continuity strategy and has built a highly resilient infrastructure. The Group has a further Disaster Recovery facility where our staff would relocate to in the event of a major disaster.

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;
> make judgements and estimates that are reasonable and prudent;
> state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Disclosure of Audit Information

The Directors confirm that, as at the date this report was approved, so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware and that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going Concern
The Directors have reviewed forecasts and budgets for the coming year, which have been drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. These were prepared with reference to historic and current industry knowledge, taking the future strategy of the Group into account. As a result, at the time of approving the financial statements, the Directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

As with all business forecasts, the Directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

Auditors
The Company's independent external auditor, KPMG Audit Plc who was appointed in March 2011, has expressed its willingness to continue in office and resolutions for their reappointment and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM.

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

Registered number: 04426322

Approved by the Board and signed on its behalf by:

Tony Dyer
Chief Financial Officer
5 October 2011

Cautionary Statement
Under the Companies Acts 2006, a Company's Directors' Report is required, among other matters, to contain a fair review by the Directors of the Group's business, through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year end, consistent with the size and complexity of the business. The Directors' Report set out above, including the Chairman's Statement, the Chief Executive's Statement, and the Financial Review incorporated into it by reference (together with the Directors' Report), has been prepared only for the shareholders of the Company as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, the Directors' Report has not been audited or otherwise independently verified. The Company and its Directors and employees are not responsible for any other purpose or use or to any other person in relation to the Directors' Report.

The Directors' Report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These factors include, but are not limited to, those discussed under Principal Risks and Uncertainties. These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Principal Risks and Uncertainties

The Group has a number of potential risks and uncertainties which could have a material impact on its long-term performance.

To enable it to deliver value to all stakeholders, the Board endeavours to mitigate these risks where possible. In order to achieve its business objectives, the Group must respond effectively to the associated risks. The Group has established risk management procedures, involving the identification and monitoring of strategic and operational risks at various levels of management. The risk register is monitored by the Legal and Compliance team, who undertake regular reviews with members of the Board. The Board regularly reviews material risks identified and risk management is embedded in the annual budgeting and strategic planning processes. At its monthly meeting the Board identifies, monitors and reviews what it considers to be the Group's major current strategic risks. It is not, however, possible to fully mitigate all risks that the Group encounters. In addition to market risk, credit risk and liquidity risk, which are covered under Group financial risk management in the Chief Financial Officers Report on page 24, the principal key risks for the Group have been assessed as follows:

Risk Area & Potential Impact	Group Strategy	Mitigation
Market		
The economic cycle The level of recruitment activity is largely linked to the general performance of the economy. A cyclical downturn can lead to uncertainty in businesses, which affects their confidence in the recruitment of permanent staff	The Group focuses on maintaining a strong bias towards being a contractor led recruitment business	> Around 70% of the Group's Net Fee Income (NFI) is recurring contract business across a broad range of sectors > The Group's client base largely consists of businesses working on long-term projects > The technical sector, because of its project-based nature, demands a flexible workforce which drives demand for contract labour
UK Public Sector expenditure Currently less than 50% of the Group's NFI is ultimately derived from UK Public Sector funding. Changes to public expenditure levels could have an impact on recruitment demand	The Group continually reviews its direct and indirect exposure to the Public Sector seeking to ensure a balanced and varied portfolio of Public Sector business	> The Group's Public Sector funded NFI is derived from many parts of the Public Sector, with few large concentrations of contractors working on single projects > Approximately three-quarters of the Group's Public Sector funded NFI is generated with outsourced providers working on long-term contracts > The majority of the Group's Public Sector funded NFI is derived from large and ongoing infrastructure projects
Dependence on key clients Too great an exposure to one or a few clients can lead to an over reliance on those clients. 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, this may have a material adverse effect on the Group's cash flow and prospects	The Group strives to maintain a broad spread of blue chip and Public Sector clients	> The Group has over 1,200 fee paying clients > The Group is not over reliant on 1 client: > Top client 7% of Group NFI > Top 5 clients 20% of Group NFI > Top 10 clients 25% of Group NFI > Top 50 clients 45% of Group NFI
Competition The recruitment market is highly fragmented and competition is intense	The Board works under the ethos that whilst remaining competitive the business must retain its integrity, work in a professional manner and be as compliant as possible	> The Board and Executive regularly meet to discuss and agree strategy to minimise this risk > The Group has improved its Bids and Tenders capability to ensure that it maximises opportunities within the marketplace > The Group undertakes a regular client review framework, seeking to ensure it minimises the risk of losing clients to competitors
Investment in new sectors and geographical markets Failure to expand into new markets could result in a business growing within a specific sector and eventually reaching a saturation point	The Group continually seeks to expand the remit of its services to ensure that, whilst it aims for significant market penetration in each market, the overall market it supplies is expanding	> The Group has expanded its technical target market by opening an operation in Germany, one of the largest technical economies, and is looking into other potential geographical locations > The Group has launched two brands in the Professional Services and Education markets > The Group ensures that it does not lose its niche focus, so each team has specialist Consultants working in dedicated fields in specific sectors who can be considered market experts
Shortage of skilled candidates In a candidate shortage marketplace there is increased competition and, whilst easing during the economic slowdown, there are still shortages of highly skilled engineers in many sectors	The Group focuses heavily on candidate attraction to ensure we have the best candidates available to our clients in a timely manner	> The Group employs a Resource team who reviews the internet job boards for the most up-to-date candidates > Search Engine Optimisation seeks to ensure that the Group's website is one of the primary results returned from internet searches for jobs in our sectors, driving candidates directly to our database > All candidates are stored on our IT systems, meaning our Consultants are only using one search tool, thereby improving the chance of us delivering the right candidate to the client first

Risk Area & Potential Impact	Group Strategy	Mitigation
Financial and Compliance		
Financing A failure to secure adequate financing, whether to fund expansion, to finance the slowing of payment terms or finance a bad debt, would have a material effect on results. The level of contract margins, net fee income conversion, contract vs permanent balance and the speed of growth all affect the Group's ability to generate cash	The Group actively seeks to ensures it operates well within its funding facilities	> We maintain a strong statement of financial position with low gearing. Net debt as at 31 July 2011 was £16.0m. Banking facilities have been increased to £35m > We have long standing banking relationships and regular discussions to ensure we have the banks' backing to fund strategic plans > We have procedures to check the creditworthiness of new clients with external agencies and regularly reviewed credit limits in place > We work to develop close, long-term relationships with our clients > We review our contract margins to ensure new business will aid cash generation
Adequacy of insurance coverage A failure to hold sufficient insurance coverage could result in the Group having to fund uninsured losses	The Group aims to hold prudent levels of insurance coverage to minimise risks to stakeholders	> The Group maintains prudent levels of insurance cover from a range of insurers > The Group's Legal and Compliance team regularly reviews our insurance levels as well as identifying new areas of uninsured risk > The Group reviews areas where it is not possible to obtain or where we have elected not to obtain insurance and considers alternative ways of reducing our risk to an acceptable level > The Group had a specific engineering design services contract that ceased on 31 October 2008 where it supplied for the construction of aircraft tailplanes, and under which the Group took more responsibility for the performance and output of the services than otherwise may be the case. The contract required the Group to hold aviation insurance liability, the cost of which has been accrued into the income statement. The Group does not intend to enter into any further contract of this nature
Integrity of financial controls A failure to maintain sufficient financial controls may lead to reputational damage, financial loss or incorrect financial information used to manage the business	The Group seeks to ensure that it has good financial controls at all times	> The Group maintains a financial control framework which is reviewed and audited annually > The controls include the Board review of the Group's performance each month > An external audit is performed on the Financial Statements
Compliance and regulatory obligations Navigating the business through the large number of compliance and regulatory changes has become more complicated. Non-compliance places risk upon clients and the Group	The Group employs its own in-house compliance team who constantly reviews new regulations and monitors our internal processes and procedures to minimise the chance of non-conformance and the risk to all stakeholders	> The Group works closely with its in-house compliance team, its financial and legal advisors and recruitment governing bodies, the Recruitment and Employment Confederation (REC) and the Association of Professional Staffing Companies (APSCo), to ensure that the business is up-to-date on these issues and that the appropriate systems and processes are in place
Strategic and Operational		
Loss of key management and staff Failure to attract and retain key staff could lead to a lack of necessary expertise or continuity to execute strategy	The Group has a strong record of developing and retaining key staff, whilst seeking to add additional external talent	> The Group gives its staff a clear structured career path within Group businesses whilst maintaining flexibility by allowing talent to be utilised across the Group > By maintaining our niche focus we develop our business through empowering our talented staff to specialise and grow their own parts of the business > The Group maintains short lines of communication to senior managers and Group Directors > The Group holds to its core values of Teamwork, Integrity, Innovation, Enthusiasm, and Fun creating a vibrant and cohesive working environment > The Group has structured bonus & commission schemes in place to incentivise, reward and retain key staff > The Group operates a Long Term Incentive Plan for many staff in the organisation
Technology systems including data security There is a risk that IT systems become out-of-date, external software suppliers become inflexible or that the business is over reliant on external systems and databases	The Group regularly reviews its software requirements undertaking benchmarking reviews of external comparator software	> The Group employs its own team of in-house developers to ensure its in-house recruitment software is focused on streamlining the recruitment process and providing high levels of service delivery > Reliance on external software and its providers is minimised down to specialist software only > Data security is taken very seriously. We have in place procedures on how to handle clients, candidates and staff data, including the use of secure networks. Appropriate building security is in place to protect confidential data, and off-site storage of client data and use of cyber protection of both hardware and software applications have been implemented. In addition, training our staff so that they understand their responsibilities is an important mitigating measure
Loss of business continuity Operating from one site can lead to a risk from loss of business continuity	The Group regularly reviews its business continuity and has a dedicated Business Continuity Manager	> The Group's business continuity strategy includes a highly resilient infrastructure within the Group's three-building major site in Fareham, Hampshire > The Group has also contracted a further Disaster Recovery facility where our staff would relocate to in the event of a major disaster > These processes have been tested and audited and the Group has achieved accreditation to BS25999 Business Continuity Standard.

Corporate Governance Report

Letter from the Chairman

Dear Shareholder

I am pleased to present the Board's Annual Report on Corporate Governance.

In writing this letter directly to all our shareholders, I would like to state my personal commitment and that of the whole Board to the continued maintenance of good governance - meaningful, relevant and focused on our business.

Whilst the specific practices and procedures have necessarily changed over the years – especially since the Company was admitted to AIM in 2006 – I believe that Matchtech has followed the same principles of governance since I founded the business almost 30 years ago.

We treat all our stakeholders – candidates, contractors, clients, staff and shareholders – as we ourselves wish to be treated, honestly and openly. We are open when things go well – as we believe they usually do – and particularly when they go wrong, seeking to resolve them promptly.

Naturally, we have continued to disclose the usual information in the Annual Report and on the Matchtech Group plc website www.matchtechgroupplc.com.

However, I would like to mention the topics on which the Board has particularly focused this year.

Performance

The lower than expected contribution from Professional Services, and to a lesser extent from Germany, caused the Group's profits to be some 25% below the Board's expectations at the start of the year.

The Board's response to this performance challenge was to meet more regularly with the managers involved to share understanding, developing ideas and implement collective actions.

Encouragingly, the Group's performance in the second half of 2011 returned to similar levels as seen in each half of 2010.

The Board remains confident in the future returns from the Professional Services and German investments and the medium-term prospects of the Group and is fully committed to its strategy of sector and geographic diversification, which will complement continued growth in Matchtech UK.

Business Conduct

The Board believes in conducting the Group's affairs in a fair and transparent manner and in maintaining the highest ethical standards in its business dealings. The Group's business conduct policy sets out the standards of behaviour we expect from our staff in our dealings with clients, suppliers, colleagues and other parties. In the context of the Bribery Act, the policy was reviewed and refreshed during the year.

Succession Planning

Since admission to AIM now some 5 years ago, the Board's membership has remained unchanged. I believe we have a well-matched team by experience and temperament.

However, we all thought that a new Board member would provide new challenge and context. As we announced on 4 August 2011, Richard Bradford has joined the Board as an independent Non-Executive Director. Prior to joining, Richard had attended several Board meetings. We are all confident that Richard will help us further strengthen our team.

From our experiences as a team, we all recognise the importance of diversity. We will be giving this a high importance in the next stage of our succession planning.

Best Practice

The Board discussed the Quoted Companies Alliance's (QCA) Corporate Governance Guidelines for Smaller Quoted Companies, a new edition of which was published in Septembers 2010.

A specific activity arising from the review was the introduction of a performance review for each Director, which I will undertake each year. Further, in 2012 the Deputy Chairman will undertake a similar review with me.

The UK Corporate Governance Code (the UK Code) has applied to Fully Listed companies since 1 April 2011. We have voluntarily agreed that all Directors of the Company will be subject to annual re-election with effect from the Annual General Meeting (AGM) to be held on 18 November 2011.

George Materna
Chairman
5 October 2011

The maintenance of effective Corporate Governance is a key priority for the Board.

Whilst the Company is not subject to the UK Corporate Governance Code (the Code) applicable to companies listed on the Official List, the Directors recognise the importance of sound Corporate Governance.

The Company seeks to comply with the Corporate Governance Guidelines for Smaller Quoted Companies as published by the Quoted Companies Alliance, as far as applicable.

In this regard, since the previous year end, a new version of the Guide was published in September 2010 by the Quoted Companies Alliance. In the first half of the current financial year, the Board reviewed the new Guide and considered any implications for the Company.

A specific activity arising from the review was the introduction of a performance review for each Director.

Board's Management 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 are 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 and 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.

Ethical Management

Behaving ethically, both in the Company's decisions and through the actions of our employees, is a must for the Group.

Our continued success depends on earning and keeping the trust of and on preserving our reputation in the eyes of those we deal with – including clients, contractors, employees, business partners and the broader community.

The Board, including Performance Evaluation

The Board is responsible for the Group's overall direction and management, and for the establishment and maintenance of a framework of delegated authorities and controls which ensure the efficient and effective management of the Group's operations.

To ensure that vested interests should not be able to act in a manner contrary to the common good of all shareholders, at the date of this report the Board has 3 Independent Non-Executive Directors. The Board considers the independence of the Independent Non-Executive Directors annually against the criteria set out in the Code with each being determined as independent of management having no business or other relationship that could interfere materially with the exercise of their judgement.

Directors are required to notify the Company Secretary of any potential conflicts of interest when they are appointed to the Board and, following appointment, as new potential conflicts arise. These notifications are then considered and authorised by the Board as appropriate.

Corporate Governance Report continued

The Board has a regular schedule of meetings together with further meetings when required. In addition, Directors meet as members of relevant Committees. There is a formal schedule of matters reserved specifically to the Board for decision, 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 31 July 2011.

All Directors have access to the advice and services of Tony Dyer, the Chief Financial Officer and Neil Ayton, the Company Secretary, who are 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 line with the requirements of the UK Corporate Governance Code, which has applied to fully listed companies since 1 April 2011 and which the Company has voluntarily chosen to comply with, all other Directors will retire at the AGM and, being eligible, will offer themselves for re-election. In addition, all those appointed during the year will stand for re-election at the next AGM.

The Board is committed to ensuring its effectiveness. It recognises the benefit of performance evaluation of the Board, Directors and Board Committees and exercised this during the year.

Two years ago the Board undertook individual Board member leadership profile assessments, and a Board culture survey that involved the whole Group management team. The recommendations arising from this process were considered by the Board and appropriate actions identified and implemented.

During this year the Chairman undertook performance assessments with each Director. These will be undertaken each year. In the coming year the Deputy Chairman will undertake a performance assessment of the Chairman.

The Board is satisfied with the current balance between Executive and Non-Executive Directors, which allows it to exercise objectivity in decision making and proper control of the Group's business. The Board does recognise that increasing the number of Non-Executive Directors may strengthen the Board and regularly reviews opportunities for this. The Board is also satisfied with the performance of each individual Board member and the Board as a whole. Where there are areas for improvement the Board has agreed objectives and action plans in place and will continually review progress on these.

Committees of the Board
The Board has three established Committees for Audit, Nominations and Remuneration. The Committees have terms of reference which are reviewed at least bi-annually by the Board, and revised as deemed necessary and appropriate. The latest review was in 2009. Copies of the Terms of Reference 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 2 Directors to facilitate final sign off for an agreed course of action within strict parameters.

Audit Committee
The responsibilities and operation of the Audit Committee are described in the Audit Committee's Report on pages 39 to 40.

Nominations Committee
The Nominations Committee is headed up by George Materna, who is the Committee's Chairman, with independent Non-Executive Directors, Ric Piper and Stephen Burke as the other members.

Key Responsibilities
- Reviewing the structure, size and composition of the Board, and making recommendations to the Board with regard to any changes required
- Succession planning for Directors and other Senior Executives
- Identifying and nominating, for Board approval, candidates to fill Board and Senior Executive vacancies as and when they arise
- Reviewing annually the time commitment required of Non-Executive Directors
- Making recommendations to the Board with regard to membership of the Audit and Remuneration Committees in consultation with the Chairman of each Committee

The Nominations Committee has full power and authority to carry out a formal selection process of candidates, before proposing 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 comply with Rule 21 of the AIM rules relating to Directors' dealings and in addition take all reasonable steps to ensure compliance by the Group's applicable employees.

Attendance	Board		Audit Committee		Remuneration Committee		Nominations Committee		AGM	
	Max	Actual	Max	Actual	Max	Actual	Max	Actual	Max	Actual
George Materna	12	12	–	–	–	–	1	1	1	1
Adrian Gunn	12	12	–	–	–	–	–	–	1	1
Tony Dyer	12	12	–	–	–	–	–	–	1	1
Ric Piper	12	11	6	6	5	5	1	1	1	1
Stephen Burke	12	10	6	4	5	2	1	1	1	1
Andy White	12	12	–	–	–	–	–	–	1	1

Remuneration Committee
The Remuneration Committee comprises of Stephen Burke, who is the Committee's Chairman, and Ric Piper who are both independent Non-Executive Directors.

Key Responsibilities
> Determining and agreeing with the Board the remuneration policy for the Chief Executive Officer, Chief Financial Officer, Chairman and Senior Executives
> Approving the design of, and determining targets for, an annual performance-related pay scheme for the Executive Directors and Senior Executives
> Reviewing the design of share incentive plans for approval by the Board and shareholders, and determining the annual award policy to Executive Directors and Senior Executives under existing plans
> Within the terms of the agreed policy, determining the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director and Senior Executive
> Reviewing and noting the remuneration trends across the Group

Non-Executive Directors
The Non-Executive Directors have letters of appointment stating their annual fee, their re-election at forthcoming AGMs and that their appointment is subject to satisfactory performance. 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 currently no Senior Independent Director although there is a Deputy Chairman. The Board will review annually the need for a Senior Independent Director.

Internal Control
The Board is responsible for reviewing and approving the Group's governance framework and ensuring its adequacy and effectiveness. Internal controls, which include financial, operational and compliance and risk management systems, are central to this framework:

> 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.
> Such a system of internal control can only be designed to manage, rather than eliminate risk of failure to achieve business objectives, and provide reasonable, but not absolute, assurance against material misstatement and loss.
> 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 the current financial year. The Audit Committee and the Board review, at least annually, whether an internal audit function is required. Some initial internal audit work will be undertaken in the 2012 financial year.
> A separate report on principal risks and uncertainties is in the Principal Risks and Uncertainties section.

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

> Group Culture

The Board's statements and actions emphasise 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.

Corporate Governance Report continued

The Board determines how the Chief Executive Officer operates within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size or type, are undertaken only after Board review.

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 the Bribery Act, Corporate Social Responsibility, Equal Opportunities, Disability, Diversity, Health and Safety, Gifts and Entertainment and the Environment.

Professional Practices
The Group is a Corporate Member of the Recruitment and Employment Confederation (REC). The Group encourages all recruitment consultants to become members and actively promotes the REC training programme, to ensure that all staff are working to the appropriate guidelines.

The Group 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. The Group has achieved REC Audited status, which means systems and processes comply with current legislation.

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. We report to our shareholders on a half-yearly basis. Forecasts for the Group are updated and reviewed by the Board regularly.

Independent External Audit
Information is provided in the Audit Committee's Report on pages 39 and 40.

Relations with Shareholders
The Board regards effective communication with shareholders as crucial.

Relations with shareholders are managed principally by the Chief Executive Officer and Chief Financial Officer. Meetings are held regularly throughout the year with institutional investors, fund managers and analysts.

The Chairman, Deputy Chairman and other Non-Executive Directors make themselves available for meetings with major shareholders. This provides shareholders with the opportunity to take up with these individuals any issue they feel unable to raise with the Chief Executive Officer or Chief Financial Officer.

The Company's shareholders are invited to attend the AGM at which all Directors are present.

The Non-Executive Directors are also kept informed of the views of shareholders, with the Executive Directors providing updates on investor meetings.

The Group's broker provides briefings to the Board on shareholder opinions and compiles independent feedback from investor meetings.

The Group's website contains information on current business activities, including the annual and half-year results presentations.

Audit Committee's Report

This report describes the membership and operation of the Audit Committee.

Membership
During 2011 the membership of the Committee was:
Ric Piper (Chairman since 2006)
Stephen Burke (Member since 2006)

Ric Piper qualified as a Chartered Accountant in 1977 and is a current member of the Financial Reporting Review Panel (FRRP). The Board considers he has recent and relevant financial experience.

The Committee met 5 times during the year plus once as part of the decision to appoint new independent auditors, as explained below. The external auditor attended all 5 of the standard meetings; the Committee met privately with the independent auditor on each occasion.

Operation of the Committee
The Committee's terms of reference were reviewed and updated in 2009 to conform to current best practice. Since the year end, they were reviewed again in September 2011 and no significant changes were deemed necessary. They are available on the Group's website (www.matchtechgroupplc.com), as well as in hard copy format from the Company Secretary.

The main activities of the Committee during the year were as follows:

> Financial statements. The Committee reviewed the interim and full year financial statements. Presentations were made by management and the auditor about the key technical and judgemental matters relevant to the financial statements. The Committee was satisfied that it was appropriate for the Board to approve the financial statements.
> Internal financial control systems. The Committee reviewed the recommendations made by the independent auditor and management's responses and actions. The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the Corporate Governance Report.
> Internal audit. The Audit Committee and the Chief Financial Officer proposed to the Board that some internal audit activities commence in the 2012 financial year. The Board accepted the proposal. The Committee will review and approve the annual internal audit work programme and review all internal audit reports prepared in the year.

The Chairman of the Committee reported to the Board on the Committee's activities after each meeting, identifying relevant matters requiring communication to the Board and recommendations on the steps to be taken.

Independent Auditor
The appointment of the independent external auditor is approved by shareholders annually. The independent auditor's audit of the financial statements is conducted in accordance with International Standards on Auditing, ISA (UK & Ireland) issued by the Auditing Practices Board.

There are no contractual obligations that act to restrict the Committee's choice of external auditor.

With Grant Thornton UK LLP ('Grant Thornton') having been the Group's independent auditor since the year to 31 July 2006, the

Board (on the recommendation of the Audit Committee) decided that it was appropriate to put the Group's audit out to competitive tender. In March 2011 the Audit Committee proposed and the Board approved the appointment of KPMG Audit Plc as the Company's registered independent public accounting firm commencing with audit work for the year ending 31 July 2011.

The change in auditors was not the result of disagreements with Grant Thornton on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. Grant Thornton's report on the Company's financial statements for the fiscal years ended 31 July 2009 and 2010 contained no adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

The Audit Committee would like to express their appreciation to Grant Thornton for their service throughout their tenure as the Group's independent auditor.

The independent auditor provides the following services:

> A report to the Audit Committee giving an overview of the results, significant contracts and judgements and observations on the control environment.
> An opinion on the truth and fairness of the Group and Company accounts.
> An internal control report, following its audit, highlighting to management any areas of weakness or concern.

The Audit Committee monitors the cost-effectiveness of audit and non-audit work performed by the independent auditor and also considers the potential impact, if any, of this work on independence. Approval is required prior to the independent auditor commencing any material non-audit work in accordance with a Group policy approved by the Committee. Certain work, such as providing bookkeeping services, is prohibited.

The Audit Committee also regulates the appointment of former employees of the independent auditor to positions in the Group.

The Audit Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in Note 3 to the financial statements.

The independent external auditor also operates procedures designed to safeguard their objectivity and independence.

These include the periodic rotation of audit partner, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff.

The independent external auditor reports to the Committee on matters including independence and non-audit work on an annual basis.

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

Ric Piper
Chairman of the Audit Committee
5 October 2011

Corporate Advisors

Financial PR	MHP 60 Great Portland Street, London, W1W 7RT
Auditors	KPMG Audit Plc Dukes Keep, Marsh Lane, Southampton, Hampshire, SO14 3EX
Solicitors to the Company	Osborne Clarke One London Wall, London, EC2Y 5EB
Nominated Advisor and Broker	Arbuthnot Securities Limited Arbuthnot House, 20 Ropemaker Street, London, EC2Y 9AR
Principal Bankers	Royal Bank of Scotland 156 High Street, Southampton, SO14 2NP
Invoice Finance Bankers	Barclays Bank plc Barclays Commercial, PO Box 6751, Basingstoke, RG24 4HN
Registrars	Capita Registrars 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Directors' Remuneration Report

The Group has a Remuneration Committee which is responsible, on behalf of the Board, for developing remuneration policy.

As Matchtech Group plc is an AIM-listed company rather than a fully listed company, it is not required to disclose all 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 audited information meets the requirements of the changes to the AIM Rule 19, effective February 2010.

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

Scope and Membership of Remuneration Committee

The Remuneration Committee, comprising only independent Non-Executive Directors, meets not less than twice a year. 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 plc Directors and other Senior Executives. It seeks to provide a remuneration package that aligns the interests of Executive plc Directors with that of the shareholders.

It receives advice from independent remuneration consultants and makes comparisons with similar organisations. In 2011 advice was received from Deloitte LLP and PriceWaterhouseCoopers LLP.

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, incentives and other benefits. During the year, the Committee instructed Deloitte LLP to undertake an independent benchmarking review of Board remuneration, which reported that the salaries and benefits were commensurate with market comparisons.

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 align their interests with those of shareholders. The Group strives to link payment to performance and thereby create a performance culture.

It is the Group's policy that all Executive plc 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 Annual General Meetings (AGMs). Their appointment may be terminated within a maximum of 6 months' written notice at any time.

The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors do not 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 performance, share incentive plan and pension benefits.

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

Directors’ Remuneration Report continued

Base Salary and Benefits

The Committee establishes salaries and benefits by reference to those prevailing in the employment market generally for Executive Directors of companies of comparable status and market value, taking into account the range of incentives described elsewhere in this report, including a performance based commission and performance 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.

Director	Chief Executive Officer	Chief Financial Officer
Profit Bonus Percentage	0.50%	0.40%

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 bonus rates are paid on the increase in profits for the year. The Remuneration Committee may vary the rates during the year to take account of any acquisitions or disposals during the year.

Director	Chief Executive Officer	Chief Financial Officer
0%–5%	1.00%	0.80%
5%–10%	2.00%	1.60%
10%–15%	3.00%	2.40%
15%–20%	4.00%	3.20%
20%–25%	5.00%	4.00%
25%–30%	6.00%	4.80%
30%–35%	7.00%	5.60%
35%+	8.00%	6.40%

The baseline profit for this year was £8.6m.

Pension

The Group contributes 10% of Executive Directors Adrian Gunn’s and Tony Dyer’s basic salaries into a Group Personal Pension Plan.

Share Options Conditional Upon Performance

During the year the Group operated a Long Term Incentive Plan (LTIP) and a Deferred Share Bonus Plan (DSBP) for Executive Directors and key staff.

Long Term Incentive Plan (LTIP)

The Executive plc Directors receive an annual grant of zero-priced share options. The grant for the year, made on 4 February 2011, (2011 LTIP) was over 25,000 shares for the Chief Executive Officer and 16,000 shares for the Chief Financial Officer.

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.

Earnings Per Share Growth

The number of shares which shall be capable of release at the end of the holding period shall be in accordance with the following table, subject to the Total Shareholder Return Underpin being satisfied:

Earnings Per Share in year ending 31 July 2013	% Maximum Number of Shares
Below 37.46 pence per share	0%
37.46 pence per share	25%
37.46 – 48.31 pence per share	straight line vesting between 25% and 100%
48.31 pence per share	100%

Total Shareholder Return (TSR)

The TSR Underpin will be satisfied should the return on a Group’s share over the period from the date of grant to the third anniversary of the date of grant, exceed the median return of the comparator group of listed recruitment companies.

The composition of the comparator group is decided independently by the external remuneration advisors, PricewaterhouseCoopers LLP.

The comparator group of 20 companies for the 2011 LTIP are Adecco SA, InterQuest Group plc, Work Group plc, Capita Group plc, Michael Page International plc, Impellam plc, CPL Resources plc, Morson Group plc, The Kellan Group plc, Harvey Nash Group plc, Prime People plc, Empresaria Group plc, Hays plc, Robert Walters plc, The ReThink Group plc, Healthcare Locums plc, Staffline Group plc, Penna Consulting plc, Hydrogen Group plc and sThree plc.

For the purposes of this report, the Group’s TSR performance has been calculated using the 3 months to 30 September 2011.

2011 LTIP Grant	4 February 2011
Upper Quartile	21%
Median	5%
Lower Quartile	(6%)
Matchtech Group plc	(6%)
Ranking	Below median

Deferred Share Bonus Plan (DSBP)

The Executive plc Directors receive an entitlement to a future grant of zero-priced share options based upon achieving a one year Earnings Per Share performance condition.

Upon satisfaction of that performance condition, a zero-priced share option will be granted over the appropriate number of shares.

The option granted will be exercisable 50% on the first anniversary of the date of grant of the Deferred Share Award, and 50% on the second anniversary, subject to continued employment with the Company or other Member of the Group.

The entitlement for the year, made on 4 February 2011, was over 25,000 shares for the Chief Executive Officer and 16,000 shares for the Chief Financial Officer.

Earnings Per Share Growth Target

Earnings Per Share in year ending 31 July 2011	% Maximum Annual Bonus Paid
Below 25.96 pence per share	0%
25.96 pence per share	25%
25.96 – 29.24 pence per share	straight line vesting between 25% and 100%
29.24 pence per share	100%

Diluted earnings per share for the year ending 31 July 2011 were 19.74 pence. Accordingly none of the Deferred Share Bonus Award will be granted as a zero priced share option.

Share Incentive Plan

During the year the Group operated 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').

The Group 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 within the Group and the 'Invest shares' remaining in the plan throughout the holding period.

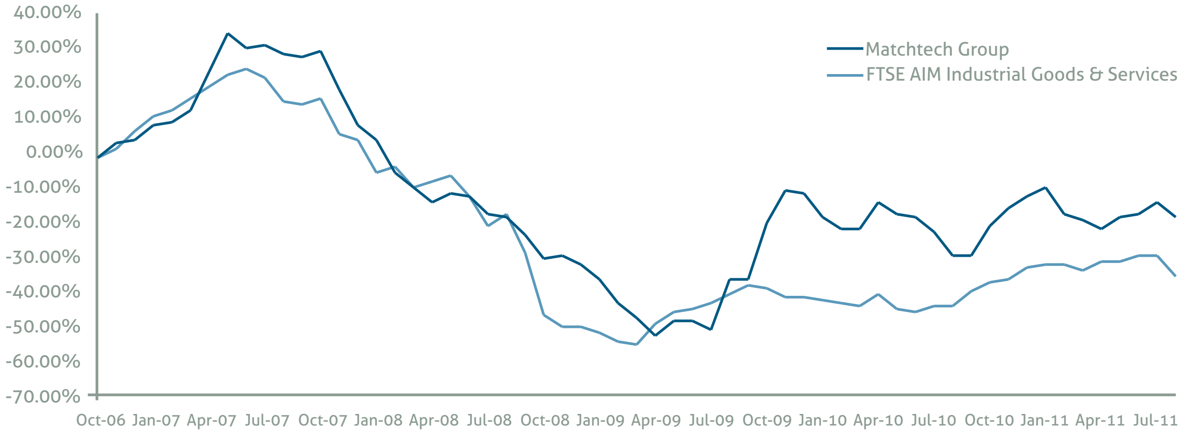
At 31 July 2011, the following shares were held in the scheme by the Executive Directors:

Director	Shares purchased under SIP	Shares awarded under matching element of SIP
Adrian Gunn	2,830	2,030
Tony Dyer	2,830	2,030
Total	5,660	4,060

TSR Performance for the Year Against Market Comparator

The graph below illustrates the Total Shareholder Return of the Group for period 27 October 2006 (being the Company's date of Admission to AIM) to 31 July 2011, 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 Group appears and is also used for comparing pay and benefit levels.

Total Shareholder Return from October 2006



Directors' Remuneration Report continued

Audited Information

Directors' Remuneration

The table below summarises all Directors' emoluments and pension contributions for the current and the prior year for comparison.

Director	Salaries & Fees £'000	Pension £'000	Benefits £'000	Profit Bonus £'000	Growth Bonus £'000	2011 Total £'000	2010 Total £'000
George Materna	80	8	–	–	–	88	87
Adrian Gunn	148	55	14	32	–	249	247
Tony Dyer	122	39	12	26	–	199	201
Andrew White	41	–	–	–	–	41	40
Ric Piper	41	–	–	–	–	41	38
Stephen Burke	38	–	3	–	–	41	38
Total	470	102	29	58	–	659	651

* Benefits include car allowances, medical and life insurance.

Directors' Interests in Shares and Share Options

The Directors' interests in the share capital of the Group at 31 July 2011 are shown below. There are no changes to this information as at the date of this report.

Shares

Director	Ordinary shares at 1 August 2010	Change in year	Ordinary shares at 31 July 2011	% of share capital
George Materna	7,877,405	–	7,877,405	33.7%
Adrian Gunn	403,838	6,379	410,217	1.8%
Tony Dyer	291,521	3,860	295,381	1.3%
Andrew White	1,093,032	–	1,093,032	4.7%

Share Options & Deferred Bonus Share Options

Director	As at 1 August 2010	Options Granted	Options Lapsed	As at 31 July 2011	Date at which exercisable	Expiry Date
Adrian Gunn						
2010 LTIP – 18 January 2010	25,000	–	–	25,000	18 January 2013	18 January 2020
2011 LTIP – 4 February 2011	–	25,000	–	25,000	4 February 2014	4 February 2021
2010 DSBP – 18 January 2010	–	12,500	–	12,500	18 January 2012	4 February 2021
2011 DSBP – 4 February 2011	–	25,000	25,000	–	–	–
Tony Dyer						
2010 LTIP – 18 January 2010	16,000	–	–	16,000	18 January 2013	18 January 2020
2011 LTIP – 4 February 2011	–	16,000	–	16,000	4 February 2014	4 February 2021
2010 DSBP – 18 January 2010	–	8,000	–	8,000	18 January 2012	4 February 2021
2011 DSBP – 4 February 2011	–	16,000	16,000	–	–	–

The 2011 Deferred Share Bonus Plan option entitlements were granted on 4 February 2011, however, all the entitlements lapsed in the year due to performance falling below the minimum threshold.

The IFRS 2 charge in the year for all LTIPs and deferred bonus option relating to the Directors was £18,000 (2009: credit £11,000) in respect of Adrian Gunn, and £12,000 (2009: credit of £11,000) in respect of Tony Dyer.

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

On 31 July 2011, the closing market price of Matchtech Group plc ordinary shares was 225 pence. The highest and lowest prices of these shares during the year were 247 pence on 14 January 2011 and 185 pence on 9 September 2010 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
5 October 2011

Independent Auditor's Report

Independent Auditor's Report to the Members of Matchtech Group plc

We have audited the financial statements of Matchtech Group plc for the year ended 31 July 2011 set out on pages 47 to 70.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at: www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2011 and of the Group's profit for the year then ended;

> the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;

> the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

> the Parent Company financial statements are not in agreement with the accounting records and returns; or

> certain disclosures of Directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

W. Smith .

W Smith (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
Dukes Keep, Marsh Lane,
Southampton, Hampshire
SO14 3EX.
5 October 2011

Consolidated Income Statement
for the year ended 31 July 2011

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

EARNINGS PER ORDINARY SHARE

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

Statement of Comprehensive Income
for the year ended 31 July 2011

	2011 £'000	2010 £'000
Profit for the year	**4,734**	6,139
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	**(28)**	18
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(28)**	18
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**4,706**	6,157

Statements of Changes in Equity
for the year ended 31 July 2011

A) Group

	Share capital £'000	Share premium £'000	Translation of foreign operations £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2009	**232**	**3,045**	**–**	**224**	**550**	**17,184**	**21,235**
Profit for the year	–	–	–	–	–	6,139	6,139
Other comprehensive income	–	–	18	–	–	–	18
Total comprehensive income	–	–	18	–	–	6,139	6,157
Dividends paid in the year	–	–	–	–	–	(3,633)	(3,633)
Deferred tax movement re share options	–	–	–	–	–	4	4
IFRS2 credit	–	–	–	–	(145)	–	(145)
IFRS2 reserves transfer	–	–	–	–	61	(61)	–
Shares issued	1	53	–	–	–	–	54
Transactions with owners	1	53	–	–	(84)	(3,690)	(3,720)
At 31 July 2010	**233**	**3,098**	**18**	**224**	**466**	**19,633**	**23,672**
At 1 August 2010	**233**	**3,098**	**18**	**224**	**466**	**19,633**	**23,672**
Profit for the year	–	–	–	–	–	4,734	4,734
Other comprehensive income	–	–	(28)	–	–	–	(28)
Total comprehensive income	–	–	(28)	–	–	4,734	4,706
Dividends paid in the year	–	–	–	–	–	(3,646)	(3,646)
Deferred tax movement re share options	–	–	–	–	–	5	5
IFRS2 charge	–	–	–	–	288	–	288
IFRS2 reserves transfer	–	–	–	–	25	(25)	–
Shares issued	1	28	–	–	–	–	29
Transactions with owners	1	28	–	–	313	(3,666)	(3,324)
At 31 July 2011	**234**	**3,126**	**(10)**	**224**	**779**	**20,701**	**25,054**

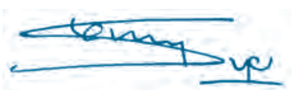
B) Company

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

Statements of Financial Position
for the year ended 31 July 2011

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

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



Tony Dyer
Chief Financial Officer

Consolidated Cash Flow Statements

for the year ended 31 July 2011

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

	2011 £'000	2010 £'000	2011 £'000	2010 £'000
CASH AND CASH EQUIVALENTS				
Cash	**475**	272	**144**	116
Bank overdrafts	**(172)**	(66)	**–**	–
Working capital facility utilised	**(16,258)**	(4,717)	**–**	–
CASH AND CASH EQUIVALENTS IN CASH FLOWS STATEMENTS	**(15,955)**	(4,511)	**144**	116

1 The comparatives have been restated to aid the understanding of cash and cash equivalents by including the working capital facility and bank overdrafts.

Notes
forming part of the financial statements

1. The Group and Company Significant Accounting Policies
i. The Business and Address of the Group
Matchtech Group plc is a human capital resources business dealing with contract and permanent recruitment in the Private and Public Sectors. The Company is incorporated in the United Kingdom. The Group's address is: Matchtech Group plc, 1450 Parkway, Whiteley, Fareham PO15 7AF.

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

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

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

iv. New Standards and Interpretations
New standard and amendments to existing standards applicable for the period ending 31 July 2011 are:

IFRS 2	Group cash-settled share-based payment transactions	1 January 2010

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

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

Standard		Effective date (Annual periods beginning on or after)
IAS 24	Related party disclosures	1 January 2011
IFRS 9	Financial instruments	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS improvements	Various	Various

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

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

v. Basis of Consolidation
The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the Statement of Financial Position date. Subsidiaries are entities over which the Group has power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

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

Transactions between Group companies are eliminated on consolidation.

vi. Revenue

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

vii. Property, Plant and Equipment

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

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

Motor vehicles	25.0%	Reducing balance
Computer equipment	25.0%	Straight line
Office equipment	12.5%	Straight line

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

viii. Intangible Assets

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

ix. Disposal of Assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

x. Operating Lease Agreements

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

xi. Taxation

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

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

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

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

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

Notes
forming part of the financial statements continued

1. The Group and Company Significant Accounting Policies continued

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

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

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

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

xiv. Business Combinations Completed Prior to Date of Transition to IFRS
The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 August 2006.

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

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

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

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

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

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

Trade receivables subject to the invoice discounting facility are recognised in the Statement of Financial Position until they are settled by the customer.

xvi. Financial Liabilities

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

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

xvii. Cash and Cash Equivalents

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

xviii. Dividends

Dividend distributions payable to equity shareholders are included in 'other short term financial liabilities' when the dividends are approved in a general meeting prior to the Statement of Financial Position date.

xix. Foreign Currencies

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

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

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

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

xx. Equity

Equity comprises the following:

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

xxi. Significant Accounting Estimates and Judgements

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

Critical Judgements

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

Invoice Discounting Facility

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

Key Sources of Estimation Uncertainty

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

Notes
forming part of the financial statements continued

1. The Group and Company Significant Accounting Policies continued

Estimated Useful Lives of Property, Plant and Equipment
The cost of equipment is depreciated on a straight line basis and the cost of motor vehicles is depreciated on a reducing balance basis over their useful lives. Management estimates the useful lives of property, plant and equipment to be within 2 to 8 years. These are common life expectancies applied in the industry in which the Group operates. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

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

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

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

The following table summarises the effect on the Statement of Financial Position:

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

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

2. Segmental Information

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

Reportable Segments

2011

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

2010

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

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

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

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

Notes
forming part of the financial statements continued

2. Segmental Information continued
Geographical Information

All amounts in £'000	United Kingdom 2011	United Kingdom 2010	Germany 2011	Germany 2010	Total 2011	Total 2010
Revenue	**300,066**	263,991	**1,740**	440	**301,806**	264,431
Gross profit	**29,133**	25,992	**625**	165	**29,758**	26,157
Profit/(loss) from operations	**6,851**	9,195	**(32)**	(378)	**6,819**	8,817
Finance cost, net	**(403)**	(235)	**(28)**	(7)	**(431)**	(242)
Profit before tax	**6,448**	8,960	**(60)**	(385)	**6,388**	8,575
Depreciation and amortisation	**508**	504	**8**	-	**516**	504
Non-current assets	**1,815**	1,852	**9**	5	**1,824**	1,857
Net current assets/(liabilities)	**23,654**	21,726	**(424)**	89	**23,230**	21,815
Total net assets	**25,469**	23,578	**(415)**	94	**25,054**	23,672

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

Largest Customers
During the year revenues of £35,598,000 (2010: £36,179,000) were generated from sales to the Group's largest client and its business process outsourcer. The majority of this revenue is included in the Engineering segment.

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

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

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

4. Particulars of Employees

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

	2011 No.	2010 No.
Selling	**248**	204
Administration	**73**	66
Directors	**6**	6
Total	**327**	276

The aggregate payroll costs of the above were:

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

Disclosure of the remuneration of key management personnel, as required by IAS 24, is detailed below. Disclosure of the remuneration of the statutory Directors is further detailed in the audited part of the Remuneration Report on pages 41 to 45.

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

5. Finance Costs

	2011 £'000	2010 £'000
Bank interest payable	**461**	248

6. Dividends

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

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

7. Parent Company Profit

	2011 £'000	2010 £'000
The amount of profit dealt with in the accounts of the Company	**4,532**	3,634

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

Notes
forming part of the financial statements continued

8. Income Tax

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

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

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

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

Tax credit recognised directly in equity:

	2011 £'000	2010 £'000
Deferred tax recognised directly in equity	**5**	4
Total tax recognised directly in equity	**5**	4

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

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

9. Earnings Per Share

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

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

The earnings per share information has been calculated as follows:

	2011 £'000	2010 £'000
Profit after tax attributable to ordinary shareholders	**4,734**	6,139

	2011 £'000	2010 £'000
Weighted average number of ordinary shares in issue	**23,370**	23,296
Effect of dilutive potential ordinary shares	**612**	349
Total	**23,982**	23,645

		2011 pence	2010 pence
Earnings per ordinary share	– basic	**20.26**	26.35
	– diluted	**19.74**	25.96

10. Intangible Assets

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

Notes
forming part of the financial statements continued

11. Property, Plant and Equipment

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

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

12. Deferred Tax
The deferred tax asset is represented by:

	Group	
	2011 £'000	2010 £'000
Temporary difference on share-based payments		
At start of year	**119**	99
Recognised in income	**64**	16
Recognised in equity	**5**	4
At end of year	**188**	119

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

13. Investments

	Company 2011 £'000	Company Restated 2010 £'000
Investment in Group companies at 1 August as originally stated	**695**	272
Impact of change in accounting policy (see note 1xxii)	**–**	550
Investment in Group companies at 1 August as restated	**695**	822
Movement in investment in Group companies – Investment in Matchtech Group UK Limited	**288**	(145)
Movement in investment in Group companies – Investment in Matchtech BV on incorporation	**–**	18
Investment in Group companies at 31 July	**983**	695

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

Subsidiary Undertakings

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

14. Trade and Other Receivables

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

The amounts due from Group undertakings in the Company Statement of Financial Position are considered to approximate to fair value.

Days sales outstanding at the year end based upon the preceding 3 months' revenue were 52.9 days (2010: 47.2 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of debts.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £7,561,000 (2010: £1,664,000) which are past due at the reporting date for which the Group has not provided as the Directors do not believe there has been a significant change in credit quality and consider the amounts to be recoverable in full. The Group does not hold any collateral over these balances.

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

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

Notes
forming part of the financial statements continued

14. Trade and Other Receivables continued

Ageing of past due but not impaired trade receivables:

	Group 2011 £'000	Group 2010 £'000
0–30 days	**5,977**	1,494
30–60 days	**925**	170
60–90 days	**345**	–
90+ days	**314**	–
Total	**7,561**	1,664

Movement in the allowance for doubtful debts:

	Group 2011 £'000	Group 2010 £'000
Balance at the beginning of the year	**348**	360
Provisions reversed during the year	**(147)**	(12)
Balance at the end of the year	**201**	348

Ageing of impaired trade receivables:

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

15. Trade and Other Payables

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

16. Financial Assets and Liabilities Statement of Financial Position Classification

The carrying amount of the Group's financial assets and liabilities as recognised at the Statement of Financial Position date of the reporting periods under review may also be categorised as follows:

Financial assets are included in the Statement of Financial Position within the following headings:

	Group		Company		
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	2009 £'000
Trade and other receivables – Loan and receivables	**55,790**	40,644	**3,878**	2,991	2,989
Cash and cash equivalents – Loan and receivables	**475**	272	**144**	116	82
Total	**56,265**	40,916	**4,022**	3,107	3,071

Financial liabilities are included in the Statement of Financial Position within the following headings:

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

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

The working capital facility is secured by way of an all assets debenture, dated 5 August 2002, which contains fixed and floating charges over the assets of Matchtech Group UK Limited. The facility held with Barclays Bank allows the Company to borrow up to 90% of its invoiced debtors up to a maximum of £35 million. Interest is charged on borrowings at a rate of 2.25% over Barclays Bank base rate.

17. Commitments Under Operating Leases

At 31 July 2011 the Group had commitments to pay the following amounts under non-cancellable operating leases as set out below:

			Group	
			2011 £'000	2010 £'000
Land/buildings	Payments falling due:	within 1 year	**820**	580
		within 1 to 5 years	**2,976**	2,202
		after 5 years	**320**	1,016
Other	Payments falling due:	within 1 year	**45**	43
		within 1 to 5 years	**174**	61

Notes
forming part of the financial statements continued

18. Share Capital
Authorised Share Capital

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

Allotted, called up and fully paid:

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

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

Date	Ordinary shares issued	Share premium received pence per share	Consideration received £
At 1 August 2009	23,272,980		
03/08/2009	3,044	–	30
04/09/2009	2,174	–	22
03/10/2009	2,179	–	22
02/11/2009	1,639	–	16
05/12/2009	13,351	–	134
30/03/2010	1,600	–	16
31/03/2010	5,197	145	7,588
30/04/2010	1,391	–	14
28/05/2010	960	–	10
30/06/2010	2,022	–	20
30/06/2010	25,711	145	37,538
23/07/2010	5,263	145	7,684
30/07/2010	2,165	–	22
At 31 July 2010	23,339,676		53,116
04/08/2010	18,349	145	26,790
04/08/2010	440	–	4
01/09/2010	208	–	2
04/10/2010	2,460	–	25
03/11/2010	2,055	–	21
01/12/2010	1,839	–	18
20/01/2011	1,959	–	20
11/01/2011	991	145	1,447
02/03/2011	4,928	–	49
09/03/2011	2,076	–	21
30/03/2011	1,765	69	1,236
30/03/2011	143	88	127
05/04/2011	3,045	–	30
05/05/2011	1,843	–	18
01/06/2011	3,077	–	31
01/07/2011	2,203	–	22
At 31 July 2011	**23,387,057**		**82,977**

Share Options

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

	2011 '000s	2010 '000s	Date of grant	Exercise price pence	Exercise period From	To
Key Share Options	**24**	24	18/06/2004	70	18/06/2005	18/06/2014
Key Share Options	**87**	106	01/12/2005	146	01/06/2007	01/12/2015
Target/Loyalty Share Options	**2**	3	05/03/2003	70	14/07/2005	05/03/2013
Target/Loyalty Share Options	**2**	2	18/06/2004	70	18/06/2005	18/06/2014
Target/Loyalty Share Options	**1**	1	08/11/2004	89	14/07/2006	08/11/2014
Target/Loyalty Share Options	**18**	19	01/12/2005	146	01/12/2006	01/12/2015
Long Term Incentive Plan Options	**–**	144	18/01/2010	1	18/01/2013	18/01/2020
Deferred Share Bonus	**35**	36	18/01/2010	1	18/01/2012	18/01/2020
Deferred Share Bonus	**35**	36	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	**30**	37	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Option Bonus	**30**	37	18/01/2010	1	18/01/2013	18/01/2020
Long Term Incentive Plan Options	**81**	–	04/02/2011	1	04/02/2014	04/02/2021
Zero Priced Share Option Bonus	**173**	–	04/02/2011	1	25/01/2013	04/02/2021
Zero Priced Share Option Bonus	**173**	–	04/02/2011	1	04/02/2014	04/02/2021
At 31 July	**691**	445				

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

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

The movement in share options is shown below:

	2011			2010		
	Number '000s	**Weighted average exercise price (pence)**	**Weighted average share price (pence)**	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1 August	**445**	**46.4**	**–**	1,056	75.6	–
Granted	**550**	**1.0**	**–**	300	1.0	–
Forfeited/lapsed	**(283)**	**1.0**	**–**	(875)	3.1	–
Exercised	**(21)**	**139.3**	**216.0**	(36)	146.0	222.1
Outstanding at 31 July	**691**	**26.0**		445	46.4	
Exercisable at 31 July	**134**	**129.8**		155	131.5	

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

Notes
forming part of the financial statements continued

18. Share Capital continued

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

	2011			2010		
Exercise Date	**Weighted average remaining contract life (months)**	**Number '000s**	**Weighted average exercise price (pence)**	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)
18/01/2012	**6**	**65**	**1.0**	18	73	1.0
18/01/2013	**18**	**65**	**1.0**	30	217	1.0
25/01/2013	**18**	**173**	**1.0**	–	–	–
04/02/2014	**31**	**254**	**1.0**	–	–	–
Total vesting in the future		**557**			290	

In addition to the share option schemes the Group operated a Share Incentive Plan (SIP), which is an HMRC approved plan available to all employees enabling them to purchase shares out of pre-tax salary. For each share purchased the Company grants an additional share at no cost.

The fair values of the share options and the SIPS are included in the table below. The values of the LTIPS granted in the year were calculated using a Monte Carlo simulation method along with the assumptions as detailed below. The values of the Zero price options granted in the year were calculated using a Black Scholes method along with the assumptions as detailed below. The fair values of the SIPS and Deferred Bonus Shares were based upon market values on the date of the grant adjusted for the assumptions as detailed below.

Date of grant		Share price on the date of grant (£)	Exercise price (£)	Volatility (%)	Vesting period (yrs)	Dividend yield (%)	Risk free rate of interest (%)	Fair value (£)
04/08/2010	SIP	2.15	0.01	N/A	3.00	N/A	N/A	2.15
01/09/2010	SIP	1.92	0.01	N/A	3.00	N/A	N/A	1.92
04/10/2010	SIP	1.95	0.01	N/A	3.00	N/A	N/A	1.95
03/11/2010	SIP	2.19	0.01	N/A	3.00	N/A	N/A	2.19
01/12/2010	SIP	2.27	0.01	N/A	3.00	N/A	N/A	2.27
20/01/2011	SIP	2.38	0.01	N/A	3.00	N/A	N/A	2.38
02/03/2011	SIP	2.20	0.01	N/A	3.00	N/A	N/A	2.20
04/02/2011	LTIP	2.17	0.01	0.0%	3.00	7.2%	2.0%	1.34
04/02/2011	Deferred Share Bonus	2.17	0.01	N/A	2.00	7.2%	N/A	1.88
04/02/2011	Deferred Share Bonus	2.17	0.01	N/A	3.00	7.2%	N/A	1.75
04/02/2011	Zero Priced Share Option Bonus	2.17	0.01	24.1%	2.00	7.2%	1.5%	1.89
04/02/2011	Zero Priced Share Option Bonus	2.17	0.01	22.5%	3.00	7.2%	1.9%	1.75
09/03/2011	SIP	2.20	0.01	N/A	3.00	N/A	N/A	2.20
05/04/2011	SIP	2.17	0.01	N/A	3.00	N/A	N/A	2.17
05/05/2011	SIP	2.04	0.01	N/A	3.00	N/A	N/A	2.04
01/06/2011	SIP	2.17	0.01	N/A	3.00	N/A	N/A	2.17
01/07/2011	SIP	2.18	0.01	N/A	3.00	N/A	N/A	2.18

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

19. Transactions with Directors and Related Parties
During the year the Group made sales of £20,000 (2010: £14,000) to Ctruk Group Limited and £14,000 (2010: £nil) to CWind Limited, both related parties by virtue of the common directorship of Andy White. There were no balances outstanding from Ctruk Group Limited or CWind Limited as at the year end. All transactions were undertaken at an arms length price.

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

During the year Matchtech Group UK Limited charged Matchtech Group plc £284,000 (2010: £284,000) for provision of management services. Further details of transactions with directors are included in the Director's Remuneration Report on pages 41 to 45.

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

Maturity of financial liabilities
The Group financial liabilities analysis at 31 July 2011 was as follows:

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

Borrowing Facilities
The Group makes use of a working capital facility, details of which can be found in note 16. The undrawn facility available at 31 July 2011 in respect of which all conditions precedent had been met was as follows:

	Group	
	2011 £'000	2010 £'000
Expiring within 1 to 5 years	**18,742**	20,283

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

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

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

Net foreign currency monetary assets are shown below:

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

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

Notes
forming part of the financial statements continued

21. Capital Management Policies and Procedures
Matchtech Group plc's capital management objectives are:

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

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the Statement of Financial Position.

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

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

22. Subsequent Events
On 3 August 2011, Richard Bradford was appointed as a Non-Executive Director of Matchtech Group plc.

Notes

Notes

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