



Specialist Recruitment Group

Matchtech Group plc is a specialist Group with 30 years' experience of delivering niche recruitment solutions into the engineering and professional services markets.



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IBC Corporate Advisors

For more information visit:
www.matchtechgroupplc.com



Highlights

Group revenue

£408.9m
+10%

Earnings per share²

33.4 pence
+37%

- ▲ Revenue **£408.9m** up **10%**
(2012: £371.4m)
- ▲ Net Fee Income¹ (NFI) **£38.4m** up **6%**
(2012: £36.1m)
- ▲ Profit from operations² **£11.1m**
up **28%**
(2012: £8.7m)
- ▲ Profit before tax² **£10.3m** up **29%**
(2012: £8.0m)
- ▲ Reported profit before tax **£9.9m** up **24%**
(2012: £8.0m)
- ▲ Basic earnings per share² **33.4 pence**
up **37%**
(2012: 24.3 pence)
- ▲ Reported basic earnings per share
32.0 pence up **32%**
(2012: 24.3 pence)
- ▲ Final dividend per share of **12.85 pence**
up **21%** giving total dividend for the year
of **18.00 pence** up **15%**
(2012: 15.6 pence)
- ▼ Net debt of **£10.5m** down **28%**
(2012: £14.5m)

¹ NFI is calculated as revenue less contractor payroll costs.

² Underlying results exclude £0.4m (2012: Enil) of non-recurring restructuring costs.



The Group at a Glance

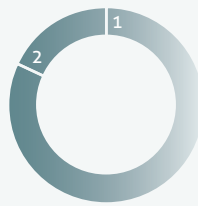
Established in 1984 and AIM listed in 2006, we have become one of the UK's top specialist recruitment companies with a turnover in excess of £400m. The Group consists of 2 divisions: Engineering and Professional Services.

page 02

Engineering (62% of NFI)

The continued growth in the engineering sector highlights that we are in the right markets and our niche delivery capability allows us to build our market share.

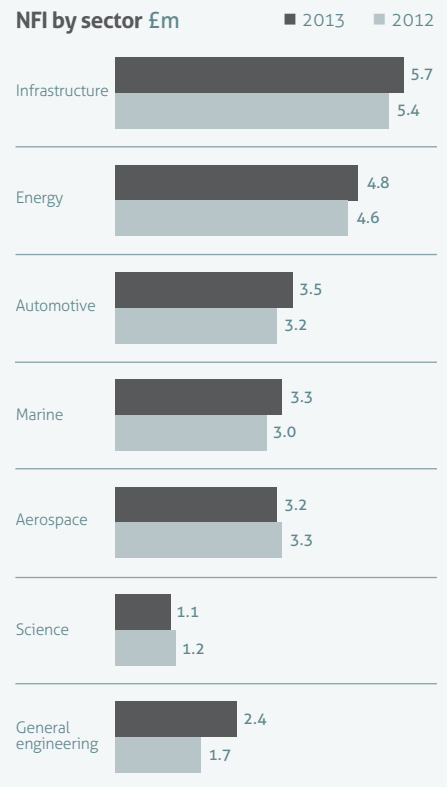
- 1. Contract NFI
- 2. Permanent fees



2013

£24.0m

NFI by sector £m



The UK's largest engineering recruitment business

Source: Recruitment International Top 250 Report 2013.

Strategic Objectives

- Maintain our historically high levels of Net Fee Income (NFI) conversion to profit from operations
- Compete for an increased share in current markets
- Explore the potential of supplying new engineering niches
- Continue to evaluate further opportunities for overseas growth
- Use our engineering expertise to offer our international clients solutions to their overseas staffing requirements

Cross-selling across the Group brands



Engineering ↔ Professional Services

Matchtech is well positioned to identify opportunities across a broad skill base within the engineering client community. As a result of good cross-brand understanding of Group capabilities, we have a strong business development pipeline. Our historic single site structure has engrained an 'up-sell/cross-sell culture' within our operating teams which has been successfully maintained whilst developing our multi-brand, multi-site strategy.

Matchtech is now able to introduce specialist brands to assist our

engineering clients with both technology and professional staffing requirements. Our largest clients within professional services have been generated from opportunities which were presented to us due to the work of the Matchtech brand.

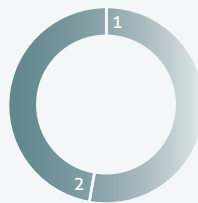
A prime example would be our growing relationship with Xchanging. Originally the procurement arm of our BAE Systems contract for the Matchtech brand, Xchanging is now the largest client for both Connectus and Barclay Meade as we support them as Master Vendor for contract Technology (via Connectus), Finance, HR, Marketing and Procurement requirements (via Barclay Meade).

All operating brands in the Group share our core values and work towards a common Group goal.

Professional Services (38% of NFI)

The 3 specialist brands have enabled the Group to diversify the business and to deliver a niche focus to specific markets, and the acquisition of Provanis will accelerate this further.

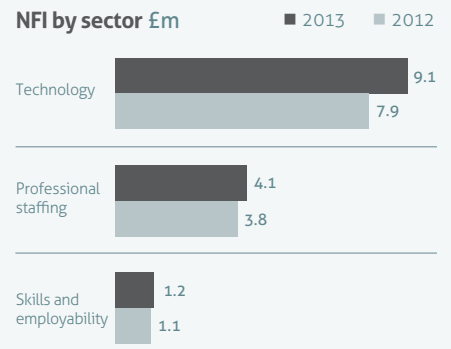
- 1. Contract NFI
- 2. Permanent fees



2013

£14.4m

NFI by sector £m



Specialists in technology recruitment

Strategic Objectives

- Focus on contingency business
- Diversify niche specialisms further, including the Provanis business acquired in September 2013
- Expand our international presence



Experts in professional staffing

Strategic Objectives

- Focus on core disciplines
- Increase NFI generated per head
- Deliver profitable returns by 2015
- Develop our own consultants
- Leverage our London presence



Skills and employability experts

Strategic Objectives

- Maintain market Thought Leadership
- Build closer relationships with the main providers
- Focus on bringing Government Skills Funding into the Group client base



Connectus ↔ Barclay Meade ↔ Alderwood

The expansion of our professional service brands means we are seeing a positive diversification of our client portfolio. In the last year the Group sourced candidates for 248 new clients which are outside of the engineering and technology vertical markets.

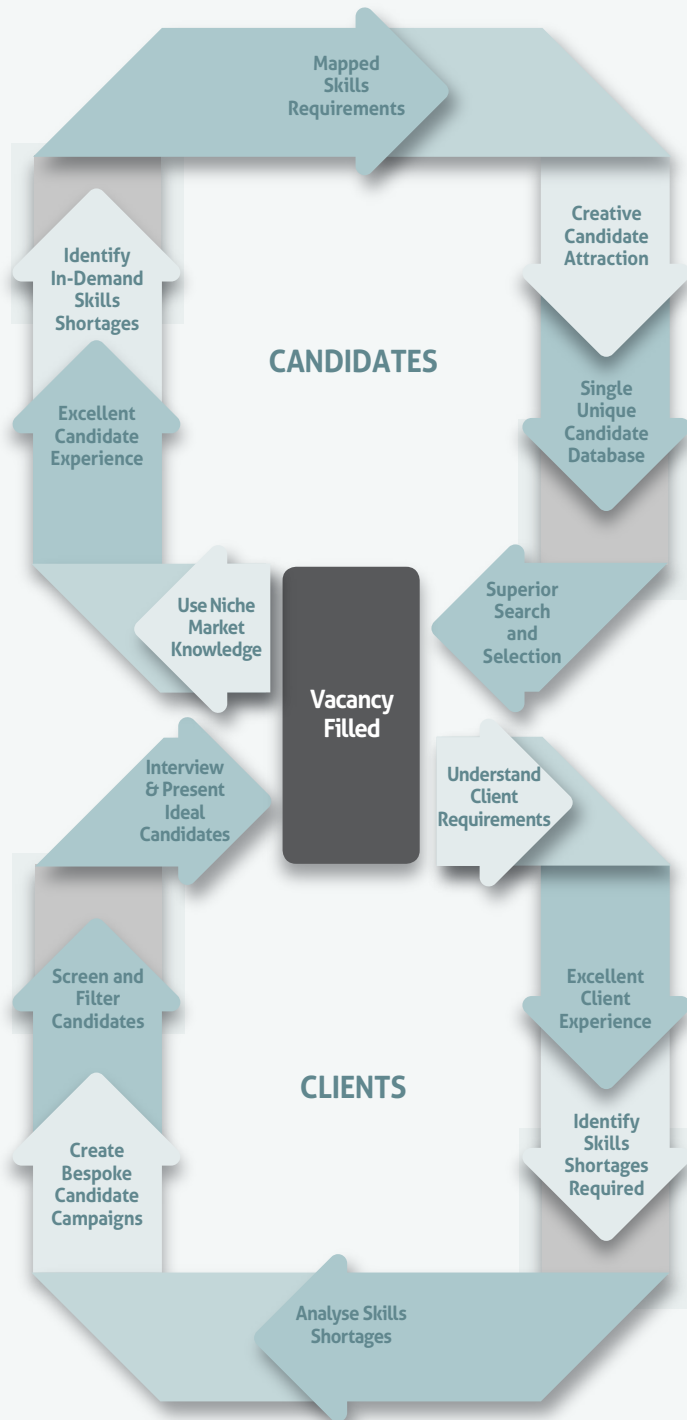
With clearly defined value propositions we have sought to increase client conversion for these brands via a unified business development strategy.

Running multi-brand forums in the Telecommunications, Energy, FMCG and Retail markets has enabled us to spot and capitalise on contingency opportunities quicker than a standalone brand would be able to do.

This collaborative approach to business development provides multiple entry points to new, previously untapped clients.

Business Model

Our business model is centred around providing clients and candidates with a highly personalised, consistently excellent service. It relies on our industry knowledge and breadth of contacts not being easily replicated by our rivals.



Consistent client and candidate experience

Expertise in Market Niches

Our consultants are experts. They work in small, highly focused teams where they can enjoy exciting and interesting careers based on growing their knowledge and contacts over time. Naturally, a senior consultant will know all the main players and the dynamics driving their markets. This knowledge is highly valued by clients and candidates.

We encourage our consultants to network widely in their industries, often joining relevant industry trade associations. This enables our consultants to keep a finger firmly on the pulse at ground level and help to influence future recruitment strategies. Our most senior consultants maintain an active dialogue with large employers and are often called upon to provide input into policy documents or to present at their conferences.

Our consultants make around 100 targeted events at universities each year to develop the employability of new candidates entering the markets. This active participation ensures that we are well placed to understand the current and future issues affecting our market sectors, rather than reacting only to clients' current needs.

Meeting Future Demand

Key to our business model is planning for future demand and predicting the need for specialist roles, often many months in advance of them being officially advertised.

As soon as global, multi-year projects are discussed in the public realm, we begin a dialogue with our clients to see how we might best meet their recruitment needs should they win contracts on these projects. We discuss their plans and working with them, estimate how many roles might be required.

2013 KEY FACTS AND FIGURES

200,000
new candidates registered

10,000
new graduates registered

11,000
placements in the year

3,400
face-to-face meetings to qualify jobs

210,000
CV's sent, with 25% resulting in an interview

52,000
interviews arranged

42
niche market delivery teams

112
candidate attraction events attended

54
industry bodies the Group has representation on

Projects of this magnitude often need a high volume of both contract and permanent roles in order to meet tight timescales. Filling these roles at the times they are needed requires considerable forethought and planning.

We use our research and knowledge to complement our clients' tender processes. It is the combination of expertise that helps clients not only to win contracts, but for major projects to be delivered on time and to budget, even when there are severe skills shortages for key roles.

Candidate Attraction

Whilst we work with candidates who are actively seeking new roles or those perhaps coming to the end of an existing contract, passive candidates are a rich source of placements. Passive candidates account for the majority of our placements and represent an unavailable talent pool to either our competitors or clients. It is only by engaging with both active and passive jobseekers, including candidates based internationally, that we can have a large enough talent pool to meet future demand.

We meet candidates while attending networking events, and monitor social media and internet sites to maximise our reach. It is the role of our skilled resource teams to provide our consultants with candidates. The consultants devote their time exclusively to fostering client and candidate relationships, rather than sourcing available labour.

Two years ago, we revamped how we marketed our individual brands, including significant changes to each of our websites. This has worked well, encouraging more highly talented job seekers to register directly with the Group.

Our candidate database, eEmploy, was created in-house and was developed in line with our clients' needs. It has an advanced filtering system, based on candidate availability, skills, experience and location. It can very quickly create an initial list of relevant candidates from which our consultants are then able to add value.

eEmploy also produces performance statistics in terms of quality, compliance and time-to-hire, where clients can measure our service against agreed criteria to drive continuous improvement.

Candidate Selection

The use of sophisticated databases, allied to our account management culture, is core. Our databases have been developed and refined in-house over many years. We can find and screen CVs quickly, ensuring we have 'ownership' of the best candidates by being the first recruiter to act for them. Once we have selected appropriate CVs, our consultants use their skills and knowledge to match the right people to the right roles, ensuring both clients' and candidates' needs are met and their time used efficiently.

All candidate applications are reviewed to ensure they comply with both the Employment Agencies Act (EAA) and the Recruitment and Employment Confederation's (REC) best practice.

Each candidate's proof of ID and their right to work is confirmed before we start to assess their technical competence for the role, but our service involves much more than box ticking. We know our clients intimately, and we use this knowledge to ensure that shortlisted candidates have the type of personality and character that creates a good cultural fit with the client.

This screening process reduces the time that clients and candidates spend in unsuitable interviews, improves the candidate experience, lessens the time-to-hire and increases staff retention levels. Current statistics for our largest clients show an average 2.7 interviews per placement, demonstrating our capability in sending suitable candidates.

Excellent Candidate Experience

With 30 years of experience we continue to develop strong, mutually beneficial relationships that see many candidates remain loyal to us in order to advance their careers. Around 30% of our current contractors on assignment have worked with us on previous engagements and 26% of the Group's placements result from referrals within our network.

Candidates who register with the Group know that they will be valued and respected for their skills, experience and educational achievements and will be given considerable practical support and advice to find their preferred job. Our candidates appreciate our skills and experience, and are reassured that they will be matched with respected, ethical, market-leading organisations that provide attractive opportunities for their career development.

We have a comprehensive shared service function which provides a full level of support to our contractors from an in-house legal team through to running a weekly payroll service.

Chairman's Statement

page 06

Strong earnings and dividend growth



George Materna
Chairman

The Investment Proposition

Well Balanced Broad client relationships and business mix

Established Strong track record of organic NFI and profit growth

Specialist Niche sector expertise

Flexible Efficient systems and high operational flexibility

Resilient Contract business model

Committed funding Facilities of £50m

Expert Capability and resources to take market share in permanent recruitment

International Expanding into selected markets

Yield Solid dividend payout record

Trading Performance²

The Board is pleased to report another good performance by the Group with encouraging progress against all key metrics.

Revenue for the year was up 10% and Net Fee Income (NFI) up by 6%, while underlying² profit before tax, which excludes £0.4m of non-recurring restructuring costs, was up 29% on the previous year. Further details on the financial performance can be found in the Chief Executive's Review on page 10 and the Chief Financial Officer's Report on page 14.

Once again, we achieved another record year for contractors on assignment which at 31 July 2013 stood at 7,000, an increase of 4% on 31 July 2012.

Fees from permanent recruitment³ have improved by 5%, with H1 up 2% and H2 up 7%, on the previous year. The demand for highly skilled labour continues to exceed supply, but the time to hire period is still longer than in pre-recessionary markets. As the UK and global economies improve, we would expect to see the hiring period begin to shorten as clients and candidates become more confident.

We have created a robust platform for further growth. We are strengthening both our IT and HR infrastructure and have budgeted to increase expenditure in our systems by some £1m in the coming year, ensuring they remain cutting edge and continue to drive further efficiencies within the business.

2 Underlying results exclude £0.4m of non-recurring restructuring costs.
3 Excluding discontinued operations of Executive Search and Financial Services.

KPI



Improving our staff retention levels



Enhancing internal systems performance and controls



Maximising cross-selling opportunities across the Group



Expanding our sector diversification and geographical reach



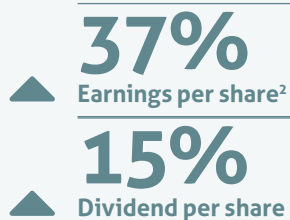
Extending our international reach



Increasing the NFI we generate per total staff member



Building our conversion ratio of NFI to profit from operations



“The best companies employ the best people, who are supported to deliver best in class results. This has long been the Group’s approach. We choose our people carefully, reward them well and invest heavily in their professional development. Our commitment to our people is embedded in our culture and enshrined in our core values.”

Description	2013 Progress	2014 Objectives
Continue to develop and improve staff engagement providing opportunities for career development, a key factor in determining how fast the Group can grow.	<ul style="list-style-type: none"> › Total staff attrition in 2013 was 31% compared with 23% in 2012. However, 5% of the 31% was as a result of our restructuring in August 2013. Our new HR team is focused on reducing staff attrition. 	<ul style="list-style-type: none"> › Enhance our internal recruitment selection process by focusing on employing the right people who will stay and develop with the business, ensuring increased staff engagement, promoting the Group benefits.
Deliver an even faster, more efficient and robust service to our clients.	<ul style="list-style-type: none"> › We now have our shared services aligned with the business unit needs and believe we have the right calibre of staff in the right areas. 	<ul style="list-style-type: none"> › As the Group continues to grow and diversify our systems need to be enhanced to ensure they remain best in class. In the coming year we have planned to spend an additional £1m on these systems.
Ensuring our staff are aware of and have the tools to maximise opportunities through utilising the increasingly varied client base created from the new brands.	<ul style="list-style-type: none"> › Having forged closer links between Connectus and Barclay Meade we are delivering service to a greater variety of clients outside of Engineering. 	<ul style="list-style-type: none"> › Continue mapping the structure of key clients and the services we are able to provide and increasing the amount of business we generate from our top clients.
Building on our early successes and looking at opportunities to grow into new sectors and additional strategic locations within the UK.	<ul style="list-style-type: none"> › Further targeted recruitment into the London, St Albans and Aberdeen offices to consolidate the existing sector teams. 	<ul style="list-style-type: none"> › Scale up and make all existing core teams and locations profitable.
Developing a low risk roll-out of international opportunities by following key clients and projects overseas.	<ul style="list-style-type: none"> › We source international candidates for overseas contracts from our UK head office in Whiteley, placing candidates on major international contracts worldwide including the Middle East, Kazakhstan, China and Canada. 	<ul style="list-style-type: none"> › Continue to identify and monitor overseas opportunities where we can source and deliver services from the UK. › Seek and develop in-country partners where we can develop a low-cost, low-risk solution when supplying overseas.
Focusing on developing existing client relationships and winning new business outside the engineering sector.	<ul style="list-style-type: none"> › The diversification into new areas has diluted our NFI per head. However, we have made progress this year as the brands have established themselves. 	<ul style="list-style-type: none"> › Bring the NFI per head in the new brands up towards the levels of the established areas and to increase contract gross margin percentages across the Group.
As our investments mature, continuing the Group’s ability to generate high levels of return from NFI.	<ul style="list-style-type: none"> › We have seen a significant increase in our NFI conversion from 24% last year to 29% in this year. 	<ul style="list-style-type: none"> › Our aim is to increase NFI conversion ratio through generating greater NFI per head and managing the cost base more effectively.

Chairman's Statement continued

page 08



"I am delighted that Brian has agreed to succeed me as Chairman. His complementary skills will be a tremendous asset as he works with us to capitalise fully on the opportunities that are in front of us, and to deliver significant further growth in value to shareholders over time."

All our Professional Services brands are now firmly established and performing well. We are excited about the prospects for Connectus, our rebranded standalone technology recruitment consultancy, launched in April.

Dividend

The Group's progressive dividend policy remains an important element of our investment proposition and we are pleased to have maintained the dividend throughout the recession. With the economic outlook starting to improve, and the Group positioned well for further growth, the Board recommends to shareholders that the final dividend is raised to 12.85 pence per share, up 21%, giving a total dividend for the year of 18.0 pence (2012: 15.6 pence) up 15% and covered 1.9 times by underlying earnings per share (2012: 1.6 times).

If approved by shareholders at the Annual General Meeting, to be held on Friday 15 November 2013, the final dividend will be payable on 6 December 2013 to those shareholders registered on 8 November 2013.

Corporate Governance

The Group places high importance to Corporate Governance. I have reported separately on Corporate Governance in a letter on page 34.



People and Culture

While we have a clear strategy, which responds well to changing markets, we are aware that over time it can be replicated by rivals. What cannot be easily copied is our robust, people-focused culture.

The best companies employ the best people, who are supported to deliver best in class results. This has long been the Group's approach. We choose our people carefully, reward them well and invest heavily in their professional development. Our commitment to our people is embedded in our culture and enshrined in our core values.

Our culture relies on clear values and leadership. Our transparency and honesty has produced a collaborative culture that naturally aids communication and sustains trust.

We are a Group that people really want to work for. Like any people business, it is a two way street where our employees will work hard for us if the management works hard for them.

The Group's values are important to us. They are 'lived' by our staff who go out of their way to make a difference by striving to provide the best service to candidates and clients.

We are in a strong position today because we have a passionate management team that shares the Board's vision and has a real sense of ownership.

On behalf of the Board I would like to thank all our staff and management for their continued commitment and hard work.

Finally, I would like to make a special mention of 2 colleagues who left us last year. IT Director, Ralph Holloway, and Gill Peters, Head of Internal Recruitment, worked alongside me for many years and their contribution to the Group has been considerable. I thank them for all their diligence and wish them the very best for the future.

Board

As announced on 20 September 2013, I will be stepping down as Chairman on 2 December 2013.

I am delighted that Brian Wilkinson has agreed to succeed me as Chairman. There is clearly good existing momentum within Matchtech Group, but the Board and the executive team share an ambitious plan to build a significantly larger and more profitable Group. I am therefore certain that now is the right time to bring someone with the external perspective and international experience that Brian has developed over his career, including within one of the world's largest recruitment firms.

Brian's complementary skills will be a tremendous asset as he works with us to capitalise fully on the opportunities that are in front of us, and to deliver significant further growth in value to shareholders over time.

Pursuant to the appointment of a new Chairman and also with effect from 2 December 2013, I will become Non-Executive Deputy Chairman and Andy White, currently Non-Executive Deputy Chairman, will step aside from this role but will remain on the Board as a Non-Executive Director. Ric Piper, a Non-Executive Director since 2006, will become the Group's inaugural Senior Independent Director.

Strategic Aims

Progress on the 7 key objectives I set out in last year's Chairman's Statement has been encouraging; there is further information on pages 6 and 7. Of course, there remains more to do in the coming years.

Adrian details some of this year's main strategic developments in his Chief Executive's Review on page 11.

Our goal is to take the business to the next level.

By some measures, we already qualify as the Number 1 Engineering recruiter in the UK and our Professional Services brands have established the platform from which we can build and accelerate growth and profitability.

International growth provides a rich vein of opportunity. As we build our knowledge in this area we aim to push forward a little more forcefully than hitherto, albeit still with appropriate caution.

The contract marketplace is very important to us and we are aiming for a two thirds blend of contract NFI to permanent fees whilst delivering acceptable margins to sustain our conversion rates.

As economic conditions improve we believe permanent recruitment will flourish and we are well positioned, with the people and culture already in place, to reap the rewards. As the market improvement continues, we will invest in additional headcount in permanent recruitment to maximise the potential.

As mentioned above, people are key to our business. We aim to constantly evolve our management and career development processes, which we expect will reduce staff turnover in the future.

We are always mindful of working within the bounds of realistic shared services costs and will try to maintain these costs at around our current level of 23% of NFI.

Our website and our intranet both continue to be improved, and our overall online presence remains at the fore of our investment plans this year.

Our historically high NFI conversion rate is something that has differentiated us from our competitors and although our conversion rates have retreated a little in recent years they are rising again, from 24% last year to 29% this year. We are targeting 35% in the medium term.

Whilst the road to full economic recovery is a long one, we believe the corner has been turned. We are confident that our business is ready to enjoy a strong year ahead.



George Materna
Chairman
15 October 2013

Chief Executive's Review

page 10

Maximising performance



Adrian Gunn
Chief Executive Officer

Our vision

To be a leading international recruitment group within the engineering and professional services sectors.

Our goal

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

Performance Overview

I am pleased once again to report on a good financial performance, which has been achieved by leveraging our industry contacts, utilising our specialist sector knowledge, and maintaining our high professional reputation.

Over the last few years, the recruitment market has become increasingly polarised, the beneficiaries being either the bespoke, value added recruitment companies like Matchtech Group or the efficient high volume recruiters.

The middle market in recruitment has suffered and I believe is shrinking. It is being replaced by internet job boards, candidates finding their own roles via social media together with the willingness of more companies to fill the 'day-to-day' roles in-house.

The Board took the decision 3 years ago to focus on the higher margin, harder-to-fill recruitment roles and not pursue large volume, low value added opportunities.

As a result of this strategy, Net Fee Income (NFI) from contract business, which accounts for 71% of Group NFI, rose by 11% to £27.2m, while fees for permanent placements rose by 5% to £11.2m. Group revenue rose 10% to £408.9m and we delivered underlying² profit before tax of £10.3m, up 29% compared to the previous year.

This was a creditable performance as the economy starts to grow.

We continue to find that employers are still very cautious about increasing permanent staff numbers preferring the flexibility of contractors, while candidates have stayed in existing roles rather than looking for and accepting new jobs.

However, with the gradual improvement in economic conditions, we are noticing the first signs of recovery in the permanent market, and are cautiously hopeful of stronger sales growth.

Similar to last year we invested heavily in staff development, devoting considerable resource to each individual's training, including team working skills, sector knowledge and how they interface with clients.

By increasing our staff's ability to appreciate their own added value, we have improved their negotiating confidence which has increased margins whilst maintaining nurtured client relationships.

² Underlying results exclude £0.4m of non-recurring restructuring costs.

Enhancing our internal systems and controls



Infrastructure Investment

Our internal systems have long been a key strength of our business, supporting business growth whilst maintaining high levels of efficiency. As the Group continues to grow and diversify, these systems need to be enhanced to ensure they remain 'best in class'.

The landscape is becoming more competitive and the needs of clients, and in particular candidates, are increasingly served outside our historical core hours. International

diversification will increase this further. Investment in our systems enables staff to react quicker to opportunities to ensure we are able to deliver a fast, flexible and market leading service.

In the coming year we will be increasing our expenditure by around £1m in bringing our systems and operating practices to a new level, further allowing our consultants to work with more flexibility and more effectively, whilst driving more efficiencies from the business.

Strategic Developments

Last year, we restructured the Group into two business units, Engineering and Professional Services, in order to give greater clarity to stakeholders. The restructuring has been well received, and given the Group increased clarity of direction and purpose.

One of this year's most important changes was the launch of Connectus (see page 21 for more details), a new brand that was formerly the Information Systems & Technology sector within Matchtech.

The launch of Connectus was designed to capitalise on the trend of convergence in technology, an example being voice and data communications which have turned into a single technical discipline. This technology convergence is enabling skilled candidates to work across multiple industries, increasing the number of roles we can offer to them.

Connectus, as part of a multi-brand approach, enables us to define more precisely our product portfolio in each of our specialist markets. It also creates greater brand awareness among defined candidate communities, hence enhancing our ability to find passive jobseekers.

With an experienced, enthusiastic team in place, and a much clearer brand proposition, Connectus is trading strongly and already winning higher margin business. The acquisition of Provanis in September 2013, a niche Oracle recruitment agency, is helping Connectus to develop and expand further into the ERP marketplace. The integration has already started and is progressing well.

The multi-brand approach has also simplified the Matchtech brand's engineering message, through reducing the number of sectors it serves.

This year we absorbed elemense, our Managed Services business, back into Engineering.

Business Plan

We have continued to build the Group by pursuing a strategy that treats clients and candidates as equally important. By identifying and working with the best candidates, and placing them in premium roles, we ensure our clients are supplied with the finest people the market can offer.

Having completed the second year of a 5 year business plan, I am pleased with the progress we are making against the Group's 7 key aims. Of course, without the consistently impressive performance of our staff, delivery of the business plan would not be possible. This is why we have made staff engagement and retention the highest priority among our key aims.

Further information on the Group's 7 key aims is provided in the Chairman's Statement on pages 6 and 7.

Chief Executive's Review continued

page 12

Enhanced Group Infrastructure

In the coming year we have planned to spend an additional £1m on our IT systems. Under a newly recruited Head of IT, we are substantially enhancing our Group intranet and CRM databases. Our new Business Data Intelligence system allows us to track far more precisely how candidates are engaging with the Group and to understand more thoroughly how they regard our service.

We will be moving all our major IT systems into the 'Cloud'. Staff will be able to work equally efficiently from the office, home, clients' offices or when on the road.

With appropriate security measures, we are also enabling staff to use their own preferred computer devices (often called Bring Your Own Device), be they smart phones, tablets or laptops, which both saves money in equipment costs and enhances performance through allowing our staff to use their preferred device.

Our IT investments will improve communications with colleagues, candidates and clients, increasing our speed and efficiency, especially outside of normal office hours.

Reflecting that the most important of our 7 key aims is increasing staff retention levels, we have also brought in a new Head of HR.

By investing more in our own staff recruitment, induction, coaching and training processes, our ultimate goal is to reduce annual employee turnover to 20%, well below industry averages. This will have significant benefits in saved recruitment costs, but more importantly, it will give clients and candidates better continuity of service and reduce our risk of losing income.

Management and Staff

All the Directors would like to thank staff and management for all the hard work and commitment they have once again given the Group this year.

I was particularly pleased with the response of managers and staff to the launch of Connectus. The energy and commitment of the marketing team in developing the new brand in-house is worthy of a special mention.

We rely on every single person's commitment and enthusiasm to deliver the performance that is enabling us to bring in even higher quality business and at improved margins.

This year, we were very pleased to welcome Jennie Mead as the new Head of HR, and David Parker, our new Head of IT. We are fortunate to have them both. We are already seeing the benefits not only of their professionalism and technical expertise, but also how they apply these commercially for the Group.

The executive management team is working well together, and has benefited from all the structural changes introduced this year and from the simplified presentation of the business.

It is professionally rewarding to be working closely with such talented and committed people who are so clearly focused on the opportunities we see ahead.

Engineering Performance

This was another satisfying growth year for the Matchtech brand delivering an increase in NFI of 7% to £24.0m for the year.

The acute skills shortages and strong demand for contract labour were major factors in seeing the number of contractors on assignment rise from 5,000 at the start of the year to over 5,500 at the end; an increase of 10%.

Government investment and international growth featured as prominent trends, providing a positive outlook for the engineering industry as a whole, such investment acting as a catalyst for the growth and activity that we have been experiencing, with a variety of large scale projects progressing.

We have continued to support the needs of our clients based in the UK and overseas across all of our sectors, with our teams continuing to source and place niche skills and reinforce our delivery capabilities.

Professional Services Performance

In Professional Services, Barclay Meade and Alderwood both have performed very well and with Connectus also growing strongly, the combined brands delivered underlying NFI of £14.4m up 12%.

Barclay Meade serves four main professional areas: Procurement, Human Resources, Sales & Marketing, and Finance & Accounting. It reported another strong performance with the number of candidates placed up by around 10% per quarter.

Alderwood, a leading recruiter in two growth UK markets, welfare to work and work-based learning provision, saw significant rise in demand for permanent assessors.

Connectus performed well and we expect it to maximise the benefits of the newly acquired Provanis.

Chairman

As previously announced, George Materna will be stepping down as Chairman on 2 December 2013 and Brian Wilkinson will join as the Group Executive Chairman. As its founder, George is widely recognised as having, over the last 30 years, made Matchtech Group into the highly successful business it is today and I am pleased that his experience and wisdom will still be available to us as our Non-Executive Deputy Chairman.

I am greatly looking forward to working with Brian who I believe has the right credentials to help accelerate the next stage of our strategic vision.

The Year Ahead

The new financial year has started well and having laid solid foundations over the last few years I am confident that the Group can make significant progress this year. I look forward to giving shareholders a further update on the progress made in April 2014.



Adrian Gunn
Chief Executive Officer
15 October 2013

Key Performance Indicators

Revenue £m

2013	408.9
2012	371.4
2011	301.8
2010	264.4
2009	269.6

£408.9m

▲ +10%

The continued growth in revenue demonstrates both that we are in strong growth sectors and that we are able to deliver and take market share

Net Fee Income £m

2013	38.4
2012	36.1
2011	29.8
2010	26.2
2009	30.2

£38.4m

▲ +6%

Record Net Fee Income (NFI) of £38.4m was delivered in the year up 6% on 2012 with contract NFI up 11% and permanent fees up 4%

NFI Conversion² %

2013	29
2012	24
2011	23
2010	34
2009	39

29%

▲ +5ppts

As we continue to drive operating efficiencies through the business our NFI conversion % of 29% is moving towards our medium-term target

Profit from operations² £m

2013	11.1
2012	8.7
2011	6.8
2010	8.8
2009	11.6

£11.1m

▲ +28%

The increase in our NFI conversion has accelerated the growth in underlying profit from operations to £11.1m, up 28%

Profit before tax² £m

2013	10.3
2012	8.0
2011	6.4
2010	8.6
2009	11.3

£10.3m

▲ +29%

The reduction in our borrowings during the year has boosted the underlying profit before tax to £10.3m, up 29% on 2012

Diluted EPS² pence

2013	32.1
2012	23.5
2011	19.7
2010	26.0
2009	34.4

32.1 pence

▲ +37%

Underlying diluted earnings per share was up 32% to 32.1 pence per share

Operating cash conversion %

2013	108	
2012	106	
-72	2011	
	2010	43
	2009	84

108%

▲ +2ppts

Demonstrating our ability to both grow the business and generate cash is reflected in our operating cash conversion of 108%

Dividend per share pence

2013	18.0
2012	15.6
2011	15.6
2010	15.6
2009	15.6

18.0 pence

▲ +15%

After maintaining our dividend throughout the recession the Board is pleased to recommend a 15% increase in the dividend for the year

² Underlying results exclude £0.4m of non-recurring restructuring costs.

Chief Financial Officer's Report

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Financial strength



Tony Dyer
Chief Financial Officer

"The Group has navigated through the recession successfully and our solid financial position will support the business through its next stage of development."

Performance

The Group continues to grow with revenue increasing to £408.9m (2012: £371.4m) a rise of 10% and Net Fee Income (NFI) for the year of £38.4m (2012: £36.1m) up 6%. This growth was achieved by a combination of successfully taking advantage of our established presence in growth niche markets and from the encouraging improved performance by the Professional Services brands. Our performance was aided by strong client retention based on consistently first class service delivery, significant contract extensions and new client wins.

Contract NFI grew by 11% to £27.2m (2012: £24.6m), driven by both strong demand for contract labour and increases in pay rates and hours worked. Contractor numbers on assignment grew by 4% to 7,000 at 31 July 2013 (31 July 2012: 6,700).

Permanent recruitment fees from continuing operations³, have improved by 5% over the course of the year to £11.2m (2012: £10.7m), with H1 up 2% and H2 up 7% on the previous year. Information on the performance of Group businesses is provided in the Chief Executive's Review.

Underlying² profit from operations has increased strongly by 28% to £11.1m (2012: £8.7m) and underlying² profit before tax of £10.3m, was up 29% (2012: £8.0m).

The Group's effective tax rate has fallen to 24.0% (2012: 28.0%) due to tax relief from gains made on the exercise of share options and by a smaller loss in our German business.

This results in a 39% increase in underlying² profit after tax to £7.9m (2012: £5.7m).

Underlying² basic earnings per share rose by 37% to 33.4 pence (2012: 24.3 pence) with underlying diluted earnings per share of 32.1 pence up 37% (2012: 23.5 pence).

Dividends

The Group announced in April a 3% increase in its interim dividend to 5.15 pence per share (2012: 5.00 pence per share). The Board proposes a 21% increase in its final dividend to 12.85 pence per share (2012: 10.60 pence per share).

When added to the interim dividend, the full year payout of 18.00 pence per share represents a 15% increase (2012: 15.60 pence per share). Dividend cover has increased by 19% to 1.9 times (2012: 1.6 times).

If approved by shareholders at the Annual General Meeting, to be held on Friday 15 November 2013, the final dividend will be payable on 6 December 2013 to those shareholders registered on 8 November 2013.

Dividends Paid

In the year the Group paid a final dividend of £2.48m at 10.6 pence per share on 7 December 2012 (£2.48m at 10.6 pence per share on 2 December 2011) and an interim dividend of £1.17m at 5.3 pence per share on 18 June 2013 (£1.17m at 5.0 pence per share on 19 June 2012).

Group Consolidated Statement of Financial Position

At 31 July 2013 the Group had net assets of £32.3m (2012: £27.6m) and had 23.6m fully paid ordinary shares in issue (2012: 23.4m).

Capital Expenditure and Tangible and Intangible Assets

Capital expenditure in the year was £0.9m (2012: £1.4m). Tangible assets at 31 July 2013 of £1.7m (2012: £1.8m) consist of the Group's motor fleet, office equipment, leasehold improvements and computer equipment.

Intangible assets at 31 July 2013 of £0.6m (2012: £0.5m) consist of £0.1m being the unamortised acquisition cost of XRS, which is being amortised over a 2 year period, and external software licences of £0.5m which are amortised over the expected life of the licence.

Working Capital, Cash Flow and Net Debt

Debtor days at the year end improved slightly to 49 (31 July 2012: 50).

Net cash from operating activities was £8.5m (2012: £6.5m) with an operating cash conversion of 108% (2012: 106%).

Net debt at 31 July 2013 was £10.5m (31 January 2013: £8.0m, 31 July 2012: £14.5m), consisting of a working capital facility of £11.4m (2012: £15.1m), bank overdrafts £0.1m (2012: £0.1m) less cash £0.9m (2012: £0.6m) and capitalised finance costs £0.1m (2012: £0.1m).

Banking Facilities

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

In June 2012 the Group renewed its facility with Barclays at £50m committed until June 2015.

The facility ceiling currently stands at the lower of £50m or 90% of qualifying invoiced debtors and interest on borrowing is at Barclays bank base rate plus 2.00%. At 31 July 2013 the balance on this facility was £11.4m.

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 completion of work performed in accordance with client agreements

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).

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 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

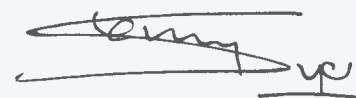
The Group had net debt of £10.5m at the year end, comprising £11.4m debt less £0.9m cash. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loan and sales financing facility debt obligations. Bank interest is charged on a floating rate basis.

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 18% (2012: 18%) of total receivables balances at 31 July 2013.

Foreign Currency Risk

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



Tony Dyer
Chief Financial Officer
15 October 2013

- 2 Underlying results exclude £0.4m of non-recurring restructuring costs.
- 3 Permanent recruitment fees from continuing operations excludes discontinued operations of Executive Search and Financial Services.

Principal Risks and Uncertainties

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The Group has a number of potential risks and uncertainties which could have a material impact on its long-term performance. Many of these are common to other companies. We recognise that effective risk management is fundamental to helping achieve our strategic objectives.

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 executive 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 Officer's Report on page 15, the principal key risks for the Group have been assessed as follows:

Risk area and 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.	The engineering sector, because of its project-based nature, demands a flexible workforce which drives demand for contract labour and the Group's client base largely consisting of businesses working on long-term projects. Just under 70% of the Group's Net Fee Income (NFI) is recurring contract business across a broad range of sectors and clients.
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 cash flow.	<p>The Group strives to maintain a broad spread of blue chip and Public Sector clients.</p> <p>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.</p>	<p>The Group has over 1,600 fee paying clients and is not over reliant on one client;</p> <ul style="list-style-type: none"> • Top client 7% of Group NFI; • Top 5 clients 17% of Group NFI; • Top 10 clients 23% of Group NFI; • Top 50 clients 46% of Group NFI. <p>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, and approximately three-quarters of this Public Sector funded NFI is generated with outsourced providers working on long-term contracts and ongoing infrastructure projects.</p>
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, and recognises the importance of its Bids and Tenders capability to ensure that it maximises opportunities within the marketplace. The Group undertakes a regular client framework review, 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.	Having diversified into the Professional Services market and opened three strategic locations in the UK, the Group continues to review the opportunities to expand further domestically. The Group has supplied candidates into over 20 countries this year, continuing to explore client led opportunities across the world and the acquisition of XRS in 2012, and more recently Provanis has given further access into the European marketplace.
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 that reviews the internet job boards for the most up-to-date candidates and 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.

Risk area and Potential Impact	Group Strategy	Mitigation
FINANCIAL AND COMPLIANCE		
<p>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 versus permanent balance and the speed of growth all affect the Groups ability to generate cash.</p>	<p>The Group actively seeks to ensure it operates well within its funding facilities.</p>	<p>We maintain a strong balance sheet with low gearing:</p> <p>Net debt as at 31 July 2013 was £10.5m, with committed banking facilities of £50m;</p> <p>We have long standing banking relationships and hold regular discussions to ensure we have the bank's backing to fund strategic plans;</p> <p>We have procedures to check the creditworthiness of new clients with external agencies and regularly reviewed credit limits in place.</p>
<p>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.</p>	<p>The Group seeks to ensure that it has good financial controls at all times.</p>	<p>The Group maintains a financial control framework which is reviewed and audited annually;</p> <p>The controls include the Board review of the Group's performance each month;</p> <p>An external audit is performed on the Financial Statements.</p>
<p>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.</p>	<p>The Group employs its own in-house compliance team which constantly reviews new regulations and monitors our internal processes and procedures to minimise the chance of non-conformance and the risk to all stakeholders.</p>	<p>The Group works closely with its in-house compliance team, its financial and legal advisors and recruitment governing bodies, such as 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.</p>
STRATEGIC AND OPERATIONAL		
<p>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.</p>	<p>The Group has a strong record of developing and retaining key staff, whilst seeking to add additional external talent.</p>	<p>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;</p> <p>By maintaining our niche focus we develop our business through empowering our talented staff to specialise and grow their own parts of the business;</p> <p>The Group maintains short lines of communication to senior managers and the Board.</p>
<p>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.</p>	<p>The Group regularly reviews its software requirements undertaking benchmarking reviews of external comparator software.</p>	<p>The Group has undertaken a review of its technology systems. It is now embarking on a programme of works to update and enhance these making greater use of propriety products. We will extend those propriety products where it provides us competitive advantage using the in-house team. The aim is to ensure that the systems are able to support the business through its next growth phase, improve productivity and efficiency and improve the risk profile of its suppliers.</p>
<p>Loss of business continuity Operating from one site can lead to a risk from loss of business continuity.</p>	<p>The Group regularly reviews its business continuity and has a dedicated Business Continuity Manager.</p>	<p>The Group's business continuity strategy includes a highly resilient infrastructure within the Group's main 3 building site in Whiteley, Hampshire;</p> <p>The Group has also contracted a further disaster recovery facility where our staff would relocate to in the event of a major disaster.</p>

Operating Review Engineering

Matchtech: We delivered another encouraging performance, with Net Fee Income (NFI) up 7% to £24.0m for the year, increasing contractors on assignment from 5,000 at the start of the year to over 5,500 at the end, up 10%.

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matchtech®

UK's no.1 engineering recruiter

Many sectors that we supply continue to have acute skills shortages and demand for contract labour has been strong. Our niche focus and ability to source hard to find candidates has served us well.

Strategic Objectives

- Maintain our historically high levels of NFI conversion to profit from operations
- Compete for increased share in current markets
- Explore the potential of supplying new engineering niches
- Continue to evaluate further opportunities for overseas growth
- Use our engineering expertise to offer our international clients solutions to their overseas staffing requirements

To increase the pool of available candidates we have invested in our candidate attraction strategy. Through a combination of search engine optimisation, public relations activities and industry networking, site traffic on matchtech.com grew by 20%. The site now receives around 120,000 visits a month.

Once again, our senior managers and consultants attended many key networking events run by trade associations and global engineering companies in order to increase the profile of the Matchtech brand.

We also became a corporate member of EngineeringUK, an independent organisation that promotes the vital contribution that engineers, engineering and technology makes to society, as well as forming a key partnership with IMarEST, the Institute of Marine



Keith Lewis, Managing Director, Matchtech



Engineering, Science and Technology which has 150,000 members in more than 100 separate countries. Under an exclusive arrangement we run its online recruitment service. Within 1 month of launch in April 2013, we received over 1,200 referrals.

Matchtech's international presence continued to expand, with the majority of overseas contracts being client and/or project led, supplying international skilled engineers for global projects. New contracts won this year included projects in the Middle East, North America and China.

Infrastructure

This broad sector spans major engineering projects in water and waste infrastructure, roads, rail, and property.

We are now in year 5 of the water industry's Asset Management Plan (AMP5) and work has inevitably slowed as certain phases near completion. However, we expect recruitment volumes to increase once design work starts again in 2015.

Environment and waste continue to grow well, and our specialist team recorded a 56% increase in contract and permanent placements in the financial year. We expect new EU legislation such as the EU Landfill Directive and the Climate Change Levy and Waste Strategy for England to drive investment in the sector and create opportunities for Matchtech.

Investment in rail projects continues apace, with our growth supported by key projects including the planned multi-billion pound High Speed 2 rail line, Crossrail and major improvements to the

London Underground. Overseas projects such as the Doha, Riyadh and Dubai Metros are commanding significant resources from around the world.

The highways market is equally buoyant. This stems from a plethora of central government or local authority projects, including many maintenance, renewal and improvement schemes.

We are currently recruiting for some very exciting major property projects, including high profile schemes such as Doha Airport and the Heron Plaza, a £500m mixed development in the City of London.

Energy

We are working on some very large scale UK oil and gas projects, recruiting for permanent, as well as the traditional contract roles, as companies grow their core teams to meet rising demand.

Demand is strong in all areas of power, not just generation, but in transmission and distribution. We are filling an array of roles from experienced high voltage engineers to cabling engineers and fitters and expect this to continue as the UK overhauls its network of overhead power lines and substations.

While we await the green light for new nuclear power development, demand for candidates exists for the decommissioning of existing nuclear power stations as well as on the Trident submarine programme.

In renewable energy, the UK is now leading the way in offshore wind farms. The industry already employs 11,000 people in Scotland and investment to date in projects is now more than £100m. We are filling both contract roles and increasingly permanent positions.

Aerospace

The aerospace sector saw increased demand for engineers in many areas.

Several high profile Airbus programmes have moved to the manufacturing phase, including A440M and A350. This has resulted in a change of focus in skill sets from design and stress, to quality and manufacturing.

AgustaWestland's programmes stretch across the complete product life-cycle; the AW189 has just completed design certification and the AW159 Wildcat is in full production, while the AW609 remains in the product development phase.

With several major aircraft, rotorcraft and aeroengine programmes in full scale production, as well as Airbus looking to outsource an ever greater level of work to its supply chain, we are confident of delivering growth in the coming year.

Operating Review continued Engineering

Extending our international reach



Overseas

The ability to supply candidates for large scale overseas projects typical in the construction, marine, automotive or aerospace industries is a key element in our growth plans. Operating overseas of course is not without its risks, but the Group has chosen a low risk strategy. We source international candidates for overseas contracts from our UK head office in Whiteley, placing candidates on major international contracts worldwide including the Middle East, Kazakhstan, China and Canada.

By taking this low risk approach to overseas growth, we have fortunately been able to avoid the worst of the global recession and have not had to meet the expense of creating a network of in-country offices. More significantly, our international work has grown organically as part of our everyday relationship with existing clients. By already working for global companies that have either a UK head office, or significant UK operations, we have won contracts to find candidates for their

overseas projects. However, our expansion strategy is flexible and if it makes commercial sense to increase our overseas footprint we will do so.

While the fee income from some of these international projects is still relatively small, they all have the capacity for growth, and importantly, they cement the Group's relationship with major UK clients by being able to meet their specialist international recruitment needs.

Automotive

We are benefiting from the UK car industry's sales to the BRIC economies, as well as better markets in Europe & North America.

The strong growth in product development investment and car sales from key clients, such as Jaguar Land Rover (JLR) and BMW, led to increased demand for engineers and production operatives.

China is playing an ever more important role in the global car market; Matchtech is working closely with several Chinese OEMs and suppliers for whom we are recruiting engineers from across the globe.

The UK market, categorised by advanced engineering and manufacturing capabilities and by luxury vehicle production, is experiencing unprecedented global demand. With JLR alone looking to boost production from around 350,000 to 700,000 vehicles per annum, Matchtech expects to see further automotive NFI growth next year.

Marine

In the marine sector large scale international projects created vacancies for qualified engineers for shipbuilding programmes in Canada, Abu Dhabi, Italy, America and Romania.

Home markets have also delivered growth, with Matchtech winning a number of leisure and commercial recruitment projects in the last quarter, including customers building luxury yachts and working boats following the successful Seawork show.

Our shipping department picked up several new assignments, particularly in the technical shore based market, with many shipping organisations requiring technical superintendents and senior fleet personnel.

Science and Medical Sector

The pharmaceuticals and biotechnology sectors remained busy and there was demand for design and development engineers in the medical device market.

Private healthcare is taking up the slack caused by ring-fenced funding in the NHS with strong demand for radiographers and biomedical scientists.

Germany

Performance in Germany has been disappointing with NFI down 11%, which reflected a poor market and the challenges we face growing this relatively new business.

The reliance of the aircraft industry on Airbus programmes was very apparent. More positively, our energy clients are delivering growth, and while automotive has been flat for most of this year, we are expecting a small improvement in the next financial year.

Professional Services

Connectus: Clients have reacted very positively to the newly launched technology brand which is already allowing us to offer new and improved services. By forging closer links with Barclay Meade, the brand is able to cross-sell to an increasing variety of clients outside the traditional engineering marketplace.

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Convergence of technology

Strategic Objectives

- Focus on contingency business
- Diversify niche specialisms further, including the Provanis business acquired in September 2013
- Expand our international presence

Having already achieved increased scale, good profitability and strong growth momentum, in April 2013 we launched Connectus – a new standalone technology recruitment consultancy comprising our Information, Systems & Technology business. By trading under its own identity, with a clearly explained brand proposition, Connectus is now powerfully placed to increase its share of the high growth IT, ICT, electronics and automation markets.

Connectus' launch followed 6 months of groundwork and preparation, which was aided by the superb engagement and enthusiasm of staff, and excellent support from the Group's own marketing team. The new brand was developed in-house at relatively insignificant cost.

Connectus has 15 separate recruitment teams providing contract and permanent staffing solutions each focused on specific areas including SAP, business intelligence, project management, automation, networking and communications, software development, electronic software systems and cyber security. In September 2013 this was enhanced by the acquisition of Provanis, a technology recruitment business with niche expertise within the Oracle Applications marketplace, and a focus on low volume, high margin international contract recruitment.

IT, ICT, electronics and automation are large markets and with demand for skilled people continuing to outstrip supply, client numbers continued to rise strongly this year.

We are now billing 435 clients, of whom 135 were added this year.

Pleasingly, clients have reacted very positively to the launch of Connectus. They continue to enjoy working with the same experienced teams with whom they have forged successful working relationships over many years. Staff turnover at 11% has been significantly below recruitment industry averages and is something we are striving to emulate in the rest of the Group.

Encouragingly, our new website www.connectusnow.com received over 50,000 page views within the first month of launch.

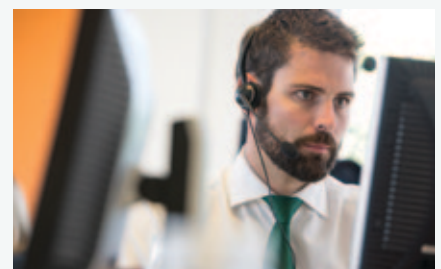
By creating a separate site, we have been able to expand considerably our skills-based pages to over 250 pages, with our in-house search engine optimisation team improving our key word search results and Google rankings, helping us to boost both the size and quality of our candidate database, which now stands at around 300,000 individuals.

The launch of Connectus is timely as technology, such as voice and data communications, is converging, enabling candidates who would have worked in a single industry to work across more than one vertical market, lifting significantly the number of available roles for their particular skills.

With a new brand, and experienced and enthusiastic teams in place, Connectus is much better positioned to compete for the higher margin business that was historically harder to win as part of Matchtech.



Stuart Feest, Managing Director, Connectus and Provanis



Operating Review continued Professional Services

Barclay Meade: We are pleased to report an encouragingly improved performance from the business this year. We increased the candidates throughput by 10% each quarter, producing a rise in NFI of 8%.

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Experts recruiting experts

Strategic Objectives

- Focus on core disciplines
- Increase NFI generated per head
- Deliver profitable returns by 2015
- Develop our own consultants
- Leverage our London presence

Since trading independently under our own brand 3 years ago, Barclay Meade's reputation is now well established in the professional services sector, with a large and growing client base.

Barclay Meade serves 4 main professional areas: Procurement, Human Resources, Sales and Marketing and Finance and Accounting, all of which have large target markets in London and the Home Counties, from where we operate.

We are pleased to report an encouragingly improved performance from the business this year. We increased the number of candidates handled by around 10% per quarter, producing a rise in NFI of 8%.

Our client base grew by 100. We are now recruiting for around 400 clients, who range from blue-chip companies to small and medium-sized enterprises. Our target industry sectors are Energy, Retail, FMCG and IT/Telecoms.

One of the strengths of the Barclay Meade business is the opportunity to supply professional staff to other parts of the Group, courtesy of internal referrals.

Our geographical proximity to clients has been a key element in winning new business. We have been able to demonstrate how we understand the drivers in their local markets, fine tuning our candidate provision more precisely around their needs.

We believe this bespoke, non-commoditised approach is absolutely critical to our future success.

A key factor this year has been the time and effort management has expended on improving staff development. In the coming year we will be implementing a new staff training and coaching programme which addresses all aspects of professional development.

Our commitment to training and development has many benefits both in terms of service to clients and candidates and in retaining talented people.

We decided this year to exit from Executive Search and Financial Services to focus solely on higher margin, bespoke client work where there are natural synergies with the rest of the Group. These departments accounted for just 13% of our NFI in 2012.

With this sound footing and increasing presence in the marketplace we look forward to developing the business further by delivering a consistent quality service to our clients.



Anton Roe, Managing Director, Barclay Meade and Alderwood

Alderwood: With both strands of the business – welfare-to-work and work-based learning experiencing strong demand, we were able to post an increase in NFI to £1.2m. We are strongly positioned for further growth, but without the immediate need to add to our headcount.

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Employability and skills providers

Strategic Objectives

- Maintain market Thought Leadership
- Build closer relationships with the main providers
- Focus on bringing Government Skills Funding into the Group client base

Run from the Group's head office in Whiteley, Alderwood has become a leading recruiter in 2 growth UK markets: welfare to work and work-based learning provision.

With both strands of Alderwood's business experiencing strong demand, we were able to post an increase in NFI to £1.2m (2012: £1.1m).

In contrast to other Group businesses, our fees are mostly derived by filling permanent rather than contract roles.

Currently, we are benefiting from significant growth in the work-based learning market as a result of increased government skills funding and the introduction of university tuition fees.

Young people are once again favouring on the job learning and paid employment over long-term debt with no guaranteed career prospects. This has led to a severe shortage of suitable candidates to deliver the required training courses, so our ability to fill these difficult roles is at a premium.

Another growth driver is the regular turnover in staff across the skills and employability sectors. Many of the specialist staff enter the market as either new entrants changing from a day-to-day role in industry to focus on training or are towards the end of their careers and nearing retirement. As a result, these roles often need replacing regularly with new candidates.

One of the main decisions this year has been to focus on increased efficiency and to maximise the benefits of the Group's investment in client databases and customer relationship management (CRM) systems. As such we have revised our approach to the market.

For the harder to fill roles, we employ personal account handling techniques which require strong personal client relationships and regular face to face meetings with clients. For the higher volume, repeat roles, we are using a resourcer based approach to reduce account handling time and maintain profit margins.

We have also introduced a more flexible and innovative pricing model for key accounts. This allows us to create value added opportunities to embed or deepen a client relationship.

Today, we are strongly positioned for further growth, but without the need to add to our headcount, certainly in the immediate future.

Our plan is to target larger, longer-term contracts and to draw on Matchtech's heritage by focusing new business development on engineering related apprentice programmes.



Human Resources Report

HR Vision: Working together with the management team, to develop a highly motivated and recognised first class workforce that delivers excellence and sustainable growth.

page 24



Jennie Mead, Head of Human Resources

Overview

Our people are crucial to the success of the business and build on our reputation for delivering excellence. They display commitment to our strong values, and appreciate the Group's vibrant and positive culture.

In return we continue to create exciting career opportunities, invest in the development of our staff and provide a rewarding and supportive environment in which success is celebrated and shared.

Human Resources Delivery

We have restructured the HR team over the last year and the business is realising immediate benefits from this through enhanced strategies to attract staff and improved performance management tools, both supporting the Group with increased Net Fee Income (NFI) per head and our NFI conversion ratio.

We have recently reviewed our HR Strategy with the aim of supporting the Group through optimising our recruitment processes, maximising performance through an engaged workforce and providing streamlined, supportive HR systems and processes. Our success is underpinned by the quality and output of our employees, where the business seeks to retain high performing individuals and empowers these individuals to support the growth of the Group.

Staff Numbers and Attrition

Total staff numbers at 31 July 2013 were 385 (31 July 2012: 381; 31 July 2011: 350). The sales force headcount has risen by 2% from 275 to 280.

We continue to invest in all of our brands and manage our talent to position ourselves for UK sector diversification and international expansion by bringing in capabilities to support us in achieving these key aims.

Group attrition for the year was 31% (2012: 23%), of which 5% related to restructuring programmes that have sought to strengthen the affected teams. On a normalised basis, our attrition rates are amongst the best in the industry and we have strategies to reduce them further.

Recruitment

We have restructured our Internal Recruitment team to ensure the right level of resources and expertise is available to the business to attract and recruit high quality staff.

The Group recognises the importance of recruiting and retaining talent. Our focus this year is to redefine our selection methods, and along with improved competency assessment we are striving to improve our capability of recruiting the right people at the right time.

We aim to introduce recognised apprenticeship and intern programmes, supported by the appropriate training mechanisms, and improve our graduate programme reach.



Reward and Recognition

A key component of our staff retention strategy is ensuring that our employees feel rewarded and appreciated for their hard work in supporting the business in achieving our key aims. We engaged with our staff in 2013 through a staff survey to get their feedback on the benefits of working with the Group. In response to this we have commenced a programme to improve and better communicate the benefits we offer our valued staff.

Our aim is to be recognised in 2014 as a leader in our industry for providing an innovative and flexible benefits package to support the lifestyle needs of our staff; a package that is valued by our employees and one they are proud of.

Learning and Development

Personal development and career progression remain key factors in employee satisfaction. We have 2 programmes in place to deliver benefits in the area of Learning and Development, supported by increased resource and expertise in our internal Learning and Development team.

A relevant sales training programme is important to the success of our business. We are working towards a Group Sales Academy that is recognised by the professional bodies in our industry. The Academy will identify the diverse needs for the different types of sales roles within the business. Giving individuals the opportunity to 'Choose their Route' through the Academy will not only ensure the learning is relevant but will also support employee engagement initiatives.

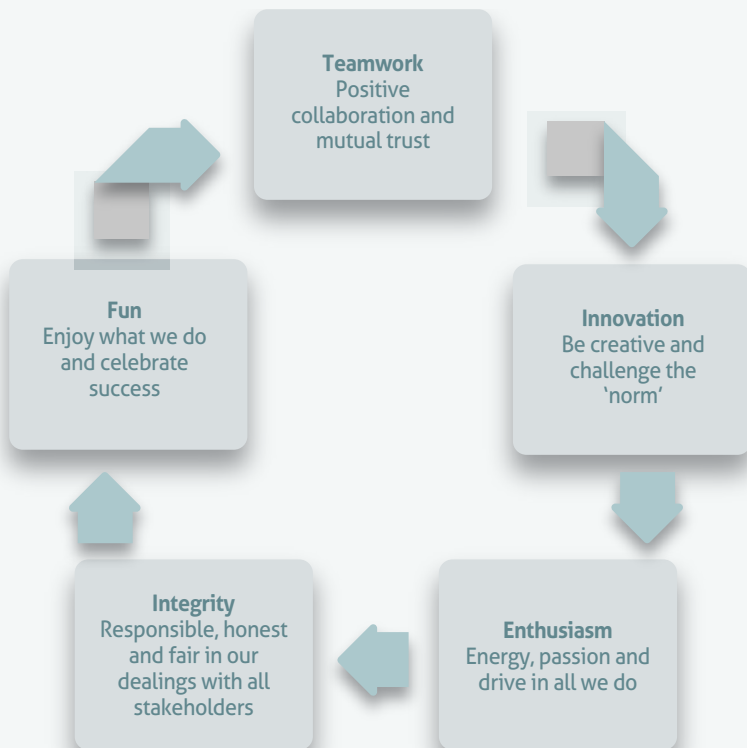
Continued management development is important to support the progress of the business, ensuring that we have individuals coming through the business to ensure sustainable growth. We are investing in supporting the development of key management competencies, with a particular emphasis on ensuring our managers and leaders support the continued development of a high performing workforce.



Human Resources Report continued Responsible Employer

Our vision: Working together with our stakeholders, to have a positive social impact and ensure continuous improvement for a sustainable future, whereby interests of all stakeholders including investors, clients, employees, the community and the environment underpin our principles.

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We remain committed to protecting and having a positive impact on our local communities and environment. We are currently finalising our Responsible Employer Strategy and, together with our newly established Corporate & Social Responsibility (CSR) Committee, we will be focusing on 4 key areas over the next 3 years.

Workplace

The Group believes in the value of employing people with a diverse range of cultures and backgrounds and recognises the obligation to promote the universal respect for observation of human rights and fundamental freedoms for all, without distinction to ethnicity, origin, religion, gender, language or disability.

We aim to eliminate discrimination on any grounds and promote equality of opportunity amongst our staff, clients and suppliers.

We are committed to building and fostering an environment where our people can excel in their performance and can continually develop and succeed professionally to deliver a high quality service to our clients.

Marketplace

We understand that public company audits are vital to the strength and stability of the business. We take transparency seriously because we want our stakeholders to feel confident in our delivery. To this end we will drive and maintain the highest standards of accountability, scrutiny and transparency and reporting.



The Group is committed to the maintenance of high ethical standards and these standards are applied to all Directors and employees.

Environment

The Group recognises that it has a clear obligation and aims to ensure that it operates in a manner which minimises the impact of its business operations on the environment. The Group is committed to its Environmental Policy and seeks to ensure its employees, contractors and suppliers meet the same objective.

Our objective is to endeavour to reduce the impact on the environment through continual improvement and be recognised in doing this through the ISO 14001 accreditation.

Community

The Group believes that the communities where we operate should benefit directly from our presence through the investment of our time and money in the community along with the jobs and wealth created.

We will take steps to understand how we can most effectively support the needs of the local communities and implement initiatives accordingly.

We aim to work with our partner, Business in the Community (BITC), to support and contribute to community projects that benefit the local areas to our offices. In particular we aim to support them through utilising our skills in the recruitment and employment arena to further the prospects of the local individuals and provide them with skills and tools to gain employment.

Through our CSR Committee the Group engages with all its brands to choose the charities and volunteering projects that employees wish to support and engage with. We encourage staff to favour projects that reflect our corporate values and priorities.



Board of Directors

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<p>Expertise: The Group seeks to have a Board constitution that is diverse and comprises individuals with the appropriate and relevant background and experience.</p>	<p>George Materna (60) Non-Executive Chairman</p>	<p>Adrian Gunn (48) Chief Executive Officer</p>
	<p>Date of appointment Group: June 1984</p>	<p>Date of appointment Group: September 1988 Board: August 2004</p>
<p>Announced Board Changes As announced on 20 September 2013, Brian Wilkinson will be appointed Executive Chairman with effect from 2 December 2013.</p> <p>Pursuant to Brian's appointment and with effect from 2 December 2013, George Materna, currently Non-Executive Deputy Chairman, will become Non-Executive Deputy Chairman.</p> <p>Andy White, currently Non-Executive Deputy Chairman, will step aside from this role but will remain on the Board as a Non-Executive Director.</p> <p>Ric Piper, a Non-Executive Director since 2006, will become the Group's inaugural Senior Independent Director.</p>	<p>Committee membership Chairman of the Nominations Committee</p>	<p>Committee membership None</p>
	<p>Skills and experience George has 35 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.</p> <p>George is a Fellow of both the Institute of Recruitment Professionals and the Chartered Institute of Personnel and Development.</p>	<p>Skills and experience Adrian has over 25 years' experience in the recruitment industry.</p> <p>Adrian is a Fellow of the Institute of Recruitment Professionals and has served as a Council Member of the Recruitment and Employment Confederation.</p> <p>He is a member of the CBI's Employment and Skills Board and a Regional Council Member for the South East.</p> <p>Adrian joined the Group in 1988 as a recruitment consultant and was appointed a Divisional Director in 1998.</p> <p>He was appointed to the Board in 2004 as Business Development Director and Group Sales Director in 2005.</p> <p>Adrian took over as Chief Executive Officer in 2007 and heads the Executive Team.</p>
	<p>Tony Dyer (44) Chief Financial Officer</p>	<p>Keith Lewis (47) Managing Director, Matchtech UK</p>
	<p>Date of appointment Group: January 1996 Board: August 2004</p>	<p>Date of appointment Group: July 1993 Board: September 2012</p>
	<p>Committee membership None</p>	<p>Committee membership None</p>
	<p>Skills and experience Tony is a Fellow of the Chartered Institute of Management Accountants.</p> <p>After qualifying in 1995 he joined the Group in 1996.</p> <p>Following a period as Management Accountant and Financial Controller, he was appointed to the Board in 2004.</p> <p>Tony was instrumental in taking the Group through its successful IPO in 2006.</p> <p>Tony is Chairman of the Central South Regional Board of the Chartered Institute of Management Accountants and has served as Hampshire's Branch President for several years.</p>	<p>Skills and experience Keith is the Managing Director of Matchtech and is responsible for all its operations across the Engineering, Infrastructure and Science and Medical sectors.</p> <p>Keith, a Fellow of the Institute of Recruitment Professionals, joined us in 1993 as a Senior Consultant, before progressing to his current position.</p> <p>Keith is also on the Steering Committee for the Engineering and Technical sector at the Recruitment and Employment Confederation.</p>

<p>Andy White (57) Non-Executive Deputy Chairman</p>	<p>Ric Piper (61) Non-Executive Director</p>	<p>Rudi Kindts (56) Non-Executive Director</p>
<p>Date of appointment Group: July 1990 Board: July 1990</p>	<p>Date of appointment Board: July 2006</p>	<p>Date of appointment Board: March 2012</p>
<p>Committee membership Deputy Chairman</p>	<p>Committee membership Chairman of the Audit Committee Member of the Remuneration Committee</p>	<p>Committee membership Member of the Remuneration Committee Member of the Nominations Committee</p>
<p>Skills and experience 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.</p> <p>Andy is Chairman of CTruk Boats Limited and CWind Limited, both companies involved in the offshore wind industry.</p>	<p>Skills and experience Ric 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.</p> <p>He was Group Finance Director of WS Atkins from 1993 to 2002.</p> <p>Since 2003 he has been involved at Board level and has advised on the growth and development of Main Market, AIM and privately owned companies. Ric is a Partner at Restoration Partners, which advises technology businesses, and a member of the Financial Reporting Review Panel.</p>	<p>Skills and experience Rudi is a Belgian national with 25 years' experience in transnational Human Resources Management.</p> <p>He developed his executive career initially with Alcatel and British American Tobacco, where he held a number of senior HR roles across the Group. He was appointed Group HR Director of the FTSE 100 company in 2004 and left in 2011.</p> <p>Rudi is currently an Associate with Criticaleye – The Network Of Leaders and Executive Mentor at Merryck and Co. He collaborates with The Henley Centre for HR excellence and is an Associate Consultant with Duke Executive Education. Rudi is a member of the Advisory Board of Thirsty Horses Limited and is a Partner with TheCoachingHouse.</p>
<p>Stephen Burke (53) Non-Executive Director</p>	<p>Richard Bradford (50) Non-Executive Director</p>	
<p>Date of appointment Board: July 2006</p>	<p>Date of appointment Board: August 2011</p>	
<p>Committee membership Chairman of Remuneration Committee Member of the Audit Committee</p>	<p>Committee membership Member of the Nominations Committee</p>	
<p>Skills and experience 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.</p> <p>He returned to the UK in 1996 and held 2 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.</p> <p>Stephen was appointed Chief Executive Officer of Healthcare Locums plc in May 2011.</p>	<p>Skills and experience Richard has a background in solutions and services businesses.</p> <p>He was Chief Executive of AIM-listed Carlisle Group from 1997 to 2008, up to and including the merger to create Impellam Group, and subsequently Chief Executive of LPM Group, a private equity backed mid-market group of facilities management investments.</p> <p>He is currently Chief Executive Officer of UK-based InHealth Group, a leading provider of diagnostics and imaging services.</p>	

Directors' Report

page 30

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 Operating Review, 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, is disclosed in Note 12 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 21 to the Financial Statements.

Results and Dividends

Information on the results and dividends is provided in the Chief Financial Officer's Report.

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)
 Keith Lewis (Matchtech Managing Director)
 (appointed 5 September 2012)

Non-Executive Directors

George Materna (Chairman)
 Andy White (Deputy Chairman)
 Stephen Burke
 Ric Piper
 Richard Bradford
 Rudi Kindts

The biographical details of the Directors of the Company as at the date of this report are set out on pages 28 and 29.

As announced on 20 September 2013, Brian Wilkinson will be appointed Executive Chairman with effect from 2 December 2013.

Pursuant to Brian's appointment and with effect from 2 December 2013, George Materna, currently Non-Executive Chairman will become Non-Executive Deputy Chairman. Andy White, currently Non-Executive Deputy Chairman, will step aside from this role but will remain on the Board as a Non-Executive Director. Ric Piper, a Non-Executive Director since 2006, will become the Group's inaugural Senior Independent Director.

Under the Company's Articles of Association all Directors must retire at the first Annual General Meeting (AGM) following their appointment and may offer themselves for election by shareholders. No Directors have been appointed since the last AGM.

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.

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 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 and their activities are contained in the Corporate Governance Report.

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 pages 16 and 17.

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	33.4
Octopus Investments Limited	11.1
AXA Framlington	9.2
Paul Raine	7.7
Andrew White	4.6
British Steel Pension Fund	4.1

Corporate Governance

The Corporate Governance Report 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 engineering, professional and outsourcing recruitment group with 30 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 Whistle-Blowing 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 through a number of charitable activities. During the year the Group made charitable donations of £21,000 (2012: £25,000).

The Directors consider the impact on the community when making their decisions.

The Group made no donations for political purposes either in the UK or overseas during the year.

Employees

The Board recognises that the Group's employees are vitally important to the continued success of the business. Further information is provided in the Human Resources Report on pages 24 to 27.

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 2013 approximately 45% of the Company's share capital is held by Directors, senior management and other employees.

During the year the Group operated a Long-Term Incentive Plan (LTIP), Share Incentive Plan (SIP) and a Value Creation Plan (VCP). The LTIP cascades through the organisation, with approximately 48% 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).

Directors' Report continued

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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.

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 and 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, has a robust business continuity strategy and has built a highly resilient infrastructure. It has a 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 International Financial Reporting Standards (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

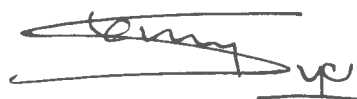
The Company's independent external auditor, KPMG Audit Plc who was initially appointed in March 2011, has instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditors and a resolution concerning their appointment will be proposed at the forthcoming 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
15 October 2013

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 Review, and the Chief Financial Officer's Report 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.

Letter from the Chairman

page 34

Dear Shareholder

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

In writing this letter directly to all our shareholders, I would like to reiterate 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, Matchtech has followed the same principles of governance since I founded the business 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 Group's plc website www.matchtechgroupplc.com.

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

Continuing to Respond to Increasing Scale and Complexity

The Group has continued to increase significantly in scale. Compared with 5 years ago revenue is twice as high and compared with 10 years ago it is up more than 5-fold. As I noted last year, in recent years we have seen further complexity with the introduction of a multi-brand strategy and operations outside the UK, and since the year end we have acquired Provanis, the second acquisition ever made by the Group.

In the context of these rapid changes – and with more expected as part of the Board's strategy – we have spent time ensuring the Group has the Support Services it needs. In particular, we have increased our capabilities in HR and IT, with each now led by external appointments made during the year. Our plans are to invest in both these crucial areas over the next year or 2, seeking a strong return on our investment.

Board Evaluation

In my role as Chairman I seek to create a highly effective Board, one which encourages debate and fostering the link between the Independent Non-Executive Directors and executive management. My aim is to ensure the Board fully engages with the business and understands the dynamics of the Group at all levels.

I continue to believe that the Group benefits from having well-informed, engaged and committed Directors who participate in robust and challenging debate. We have continued with a performance review for each Director, which I undertake each year and the Deputy Chairman undertook a similar review of me in my role as Chairman.

In the last couple of years we have strengthened the Board with the appointments of 2 additional Non-Executive Directors, Richard Bradford in August 2011 and Rudi Kindts in March 2012. We promoted Keith Lewis to the Board as an Executive Director in September 2012. All 3 have made effective contributions. I believe the Board is a well-matched team by experience and temperament.

Looking to the Future

As shareholders will know, I will be stepping down as Chairman on 2 December 2013 but will remain on the Board in the capacity of Deputy Chairman and Nominations Committee Chair.

Since founding Matchtech in 1984 I have worked with some fantastic individuals who have much to be proud of. We now have a team of some 400 people, with revenue in excess of £400m. Crucially we have built a strong and deep leadership team and have a first class reputation in our chosen markets. Matchtech has always sought to do the best for our clients, contractors and candidates, staff and shareholders.

I believe that now is the right time to appoint Brian Wilkinson as the Group's Executive Chairman. Brian has the external perspective and international experience to help accelerate the next stage of our strategic vision.

I commend Brian to you.



George Materna
Chairman
15 October 2013

Corporate Governance Report

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Announced Board Changes

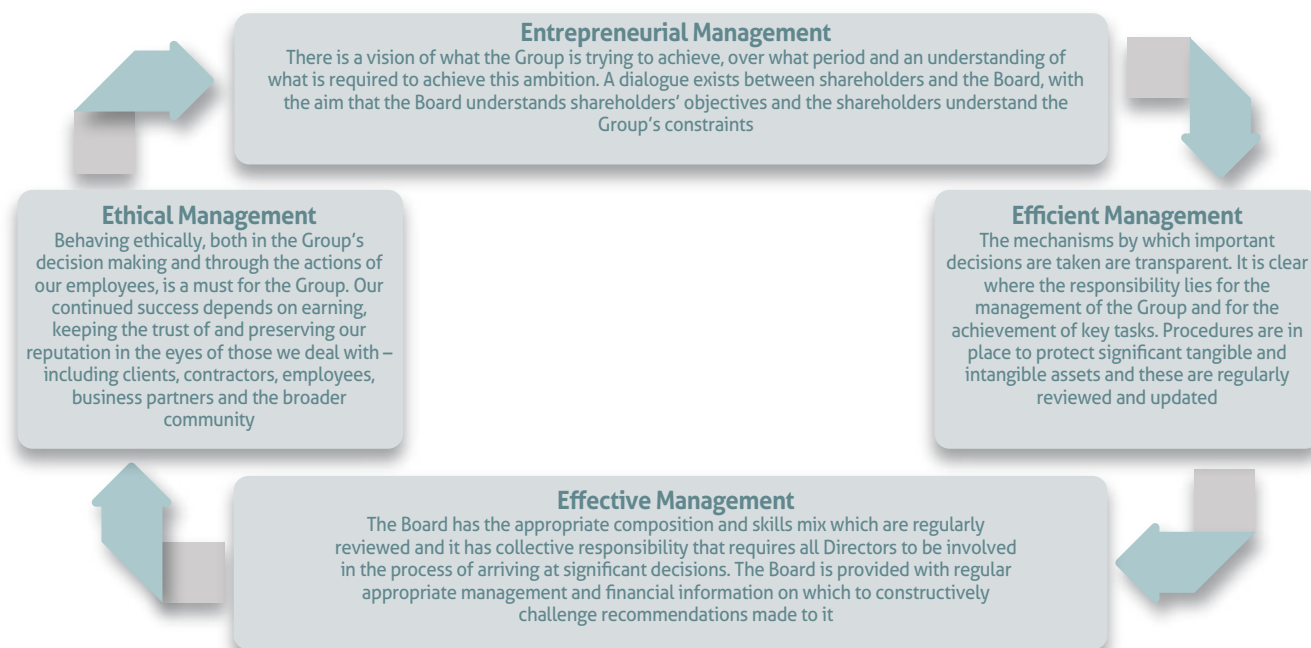
On 20 September 2013 the appointment with effect from 2 December 2013 was announced of Brian Wilkinson as Executive Chairman. The Board believes that Brian's appointment will help accelerate the next stage of the Group's strategic vision. Pursuant to Brian's appointment and also with effect from 2 December 2013, George Materna will become Non-Executive Deputy Chairman and Andy White, currently Non-Executive Deputy Chairman, will step aside from this role but will remain as a Non-Executive Director. Ric Piper, a Non-Executive Director since 2006, will become the Group's inaugural Senior Independent Director.

Corporate Governance – A Key Priority for the Board

The maintenance of effective Corporate Governance is a key priority for the Board. Whilst the Group 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 Group 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 Spring 2013 by the Quoted Companies Alliance. The Board initially reviewed the new version in September 2013 and will be reviewing it again in Spring 2014, as part of a review of its Corporate Governance subsequent to the appointment of Brian Wilkinson as Chairman who will join the Group on 2 December 2013.

Board's Management Objectives



There is a formal schedule of matters reserved for their decision which includes strategy, the approval of financial statements and shareholder circulars, treasury policy, major capital investments (including acquisitions and disposals) and risk management strategy.

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 4 Independent Non-Executive Directors. The Board considers the independence of the Independent Non-Executive Directors annually against the criteria set out in the UK Governance 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.

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.

Corporate Governance Report continued

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Attendance	Board Meetings		Audit Committee		Remuneration Committee		Nominations Committee		AGM	
	Maximum	Actual	Maximum	Actual	Maximum	Actual	Maximum	Actual	Maximum	Actual
George Materna	12	12	–	–	–	–	2	2	1	1
Adrian Gunn	12	12	–	–	–	–	–	–	1	1
Tony Dyer	12	12	–	–	–	–	–	–	1	1
Keith Lewis	11	11	–	–	–	–	–	–	1	1
Ric Piper	12	12	5	5	12	12	–	–	1	1
Stephen Burke	12	9	5	3	12	11	–	–	1	1
Andy White	12	9	–	–	–	–	–	–	1	1
Richard Bradford	12	12	–	–	–	–	2	2	1	1
Rudi Kindts	12	12	–	–	12	10	2	2	1	1

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 2 years ended 31 July 2013.

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 Governance Code, which has applied to fully listed companies since 1 April 2011, the Group has voluntarily chosen that all Directors will retire at the Annual General Meeting (AGM) and, being eligible, will offer themselves for re-election.

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.

3 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 the year the Chairman undertook performance assessments with each Director and the Deputy Chairman undertook a performance assessment of the Chairman. With effect from the year ending 31 July 2014, this will be undertaken annually by the Group's inaugural Senior Independent Director.

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 recognises that the composition of the Board needs to be kept under regular review. It is anticipated that this will be undertaken by the new Chairman prior to the AGM in 2014.

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 biannually by the Board, and revised as deemed necessary and appropriate. The Terms of Reference of all 3 Committees were reviewed during the 12 months prior to the date of this report. Copies of the Terms of Reference are available on the Group's website www.matchtechgroupplc.com and 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.

Remuneration Committee

The responsibilities and operation of the Remuneration Committee are described in the Directors' Remuneration Report.

Nominations Committee

Nominations Committee	Key Responsibilities
George Materna Chairman (Group Non-Executive Chairman)	<ul style="list-style-type: none"> 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
Richard Bradford (Independent Non-Executive Director)	
Rudi Kindts (Independent Non-Executive Director)	

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 Group has adopted a policy for Directors' and key employees' share dealings which is appropriate for an AIM-quoted Group.

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.

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 6 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 Group'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.

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 has been undertaken in the 2012 financial year and further work will be undertaken in the current financial year
- A separate report on principal risks and uncertainties is in the Principal Risks and Uncertainties section

The Board's statements and actions emphasise a culture of openness, integrity, competence, fairness and responsibility.

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.

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 Group 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 Group 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.

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 Group'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. Additionally, 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

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I am pleased to present the Audit Committee's annual report on its activities.

Audit Committee	Key Responsibilities
Ric Piper Chairman 2006 to date (Independent Non-Executive Director) Stephen Burke (Independent Non-Executive Director)	<ul style="list-style-type: none"> • Monitoring the integrity of the half-yearly and annual financial statements and formal announcements relating to the Group's financial performance • Reviewing significant financial reporting issues and accounting policies and disclosures in financial reports • Reviewing the effectiveness of the Group's internal control procedures and risk management systems • Considering how the Group's internal audit requirements shall be satisfied and making recommendations to the Board • Making recommendations to the Board on the appointment or reappointment of the Group's independent external auditors • Reviewing the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and half-year report • Overseeing the Board's relationship with the independent external auditors including their continuing independence and, where appropriate, the selection of new independent external auditors • Ensuring that an effective whistle-blowing procedure is in place

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. The external auditor attended all of the meetings; and the Committee met privately with the external auditor on each occasion.

Operation of the Committee

The Committee's Terms of Reference were reviewed and updated in September 2013 to conform to current best practice. 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 Terms of Reference will be next reviewed by September 2015.

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. During the year the Group undertook a number of internal audit reviews, both of financial and operational activities. As part of the Committee's policy, certain specialist internal audit work was undertaken by external organisations
- As anticipated last year, the Committee has given greater focus to internal audit in Financial Year 2013

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 and Ireland) issued by the Auditing Practices Board.

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

In early 2011 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 Committee has kept under review future regulatory and best practice developments in connection with its role and responsibilities. In particular, it has considered the requirements under the 2012 UK Governance Code for the independent audit contract to be put out to tender every 10 years. The Committee will keep this matter under regular review in the light of best practice developments. Any recommendation for the reappointment of the independent auditor will continue to be the subject of rigorous review each year.

KPMG Audit Plc has instigated an orderly wind down of business. The Committee has recommended to the Board that KPMG LLP be appointed as independent auditor of the Company.

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 financial statements
- 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. Further, the Committee seeks positive evidence of the independence of the independent auditor through its challenge to management.

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 Committee concluded that the level of non-audit fees, which represent 43% of the audit fees for the Group, did not have a negative impact on KPMG Audit Plc's independence.

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.

Evaluation of the Committee

In 2012 an independent evaluation of the Committee was undertaken by the Group's auditors who reported to the Chairman of the Board and subsequently issued their report to the whole Board.

As noted above, the Committee has implemented the recommendation to give greater focus to internal audit.

The Board and the Audit Committee continue to work on implementing the recommendations of the report, particularly additional members and the induction of new members.

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
15 October 2013

Directors' Remuneration Report

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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.

Membership and Scope of Remuneration Committee	Key Responsibilities
Stephen Burke Chairman (Independent Non-Executive Director)	<ul style="list-style-type: none"> • Determining and agreeing with the Board the remuneration policy for the Chairman of the Board, the Executive Directors and other senior management • 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
Ric Piper (Independent Non-Executive Director)	
Rudi Kindts (Independent Non-Executive Director)	

Stephen Burke and Ric Piper have both been members of the Remuneration Committee since 2006 and Rudi Kindts since 2012.

The Remuneration Committee meets not less than twice a year. The Chairman of the Board 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 Directors with that of the shareholders.

It receives advice from independent remuneration consultants and makes comparisons with similar organisations. In 2013 advice was received from 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.

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

During the year and since the year end the Committee reviewed the way in which it operates and has implemented a number of changes which will contribute to a higher level of effectiveness.

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 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 is outlined in the following sections.

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	Matchtech Managing Director ¹
Profit bonus percentage	0.50%	0.40%	0.25%

Annual Profit Growth Bonus

The annual profit 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.

Director	Chief Executive Officer	Chief Financial Officer	Matchtech Managing Director ¹
0%–5%	1.00%	0.80%	0.50%
5%–10%	2.00%	1.60%	1.00%
10%–15%	3.00%	2.40%	1.50%
15%–20%	4.00%	3.20%	2.00%
20%–25%	5.00%	4.00%	2.50%
25%–30%	6.00%	4.80%	3.00%
30%–35%	7.00%	5.60%	3.50%
35%+	8.00%	6.40%	4.00%

The baseline profit for the year was £8.0m.

¹ The bonus percentage applied for Keith Lewis during his first year on the Board, will revert to the same as those of the Chief Financial Officer for subsequent years.

Pension

The Group contributes 10% of Adrian Gunn's, Tony Dyer's and Keith Lewis's basic salaries into a group personal pension plan.

Value Creation Plan (VCP)

As announced on 21 November 2011, the Group has implemented and made awards to Directors under a VCP.

The VCP was approved by the shareholders in the Annual General Meeting on 18 November 2011.

The following Directors have been conditionally granted an award of units under the VCP:

Name	Position	Number of VCP units	Percentage of total number of VCP units allocated and to be allocated
Adrian Gunn	Chief Executive	266,000	26.6%
Tony Dyer	Chief Financial Officer	145,000	14.5%
Keith Lewis	Matchtech Managing Director	145,000	14.5%
Other senior management		248,000	24.8%
Unallocated		196,000	19.6%

No payment has been made for the grant of these awards and the VCP units have no value at grant.

The VCP has a 5 year performance period (ending after the preliminary announcement of the Group's results in 2016) and the VCP units entitle the Directors to share in 7.5% of the total value created for shareholders in excess of an annual hurdle at a series of measurement dates.

The level of value created for Matchtech shareholders will be determined by reference to the appreciation in the Company's share price, the amount of dividends paid and share buy backs. The shareholder value created at each measurement date will be calculated using the average share price over the 30 day period prior to the relevant measurement date, the measurement date being 30 days after the preliminary announcement of the Group's results.

Directors' Remuneration Report continued

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The annual hurdle will be the higher of:

- the actual share price at the previous measurement date; and
- 20% growth over the threshold price from the previous measurement date.

The initial price is 218 pence per Matchtech share, being the average share price of Matchtech shares for the 30 day period following the preliminary announcement of the Company's 2011 final results.

The first threshold price, for the year ended 31 July 2012 was 261.6 pence (218 pence plus by 20%) which was not exceeded, with the measurement share price being 307 pence. The second threshold price, for the year ended 31 July 2013, was 313.9 pence (261.6 pence plus 20%).

At each measurement date each Director will receive an entitlement to Matchtech shares (in the form of a nil-cost option) with a value equivalent to each Director's relevant proportion of the VCP pool created in respect of that measurement date. Any share entitlement will not become exercisable until the end of the fifth year of the VCP when 50% of the shares are exercisable, with the balance exercisable 1 year later.

Share Options Conditional on 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

The plc Executive Directors receive an annual grant of zero-priced share options. The grant for the year, made on 31 January 2013, (2013 LTIP) was 25,000 shares for the Chief Executive Officer and 16,000 shares each for the Chief Financial Officer and Matchtech Managing Director.

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 (EPS) Growth

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

Grant	Grant date	Measurement period	Baseline EPS
2011	4 February 2011	FY 2012–FY 2014	25.96 pence
2012	31 January 2012	FY 2013–FY 2015	19.74 pence
2013	31 January 2013	FY 2014–FY 2016	23.49 pence

Grant	Minimum target	Between minimum and maximum	Maximum target	Vesting Status
2011	37.46 pence 25%	37.46 pence–48.31 pence straight line vesting	>48.31 pence 100%	Deemed unlikely
2012	10% +RPI growth pa 33%	Between 10% and 20% +RPI growth pa straight line vesting	>20% +RPI growth pa 100%	
2013	10% +RPI growth pa 33%	Between 10% and 20% +RPI growth pa straight line vesting	>20% +RPI growth pa 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 2012 grant were 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.

The comparator group of 18 companies for the 2013 grant were Adecco SA, InterQuest Group plc, Work Group plc, Capita Group plc, Michael Page International plc, Impellam plc, CPL Resources plc, The Kellan Group plc, Harvey Nash Group plc, Prime People plc, Empresaria Group plc, Hays plc, Robert Walters plc, The ReThink Group plc, Staffline Group plc, Penna Consulting plc, Hydrogen Group plc and sThree plc.

TSR performance can be summarised as follows:

Grant	Upper quartile	Median	Lower quartile	Matchtech	Ranking	Vesting status
2011	–	–	–	–	N/A	Deemed unlikely
2012	18%	28.9%	(6%)	76.1%	Above Median	
2013	37.5%	16.1%	1.7%	43.7%	Above Median	

Deferred Share Bonus Plan

The Executive Directors receive an entitlement to a future grant of zero-priced share options based upon achieving a 1 year EPS 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 31 January 2013, was 25,000 shares for the Chief Executive Officer and 16,000 shares each for the Chief Financial Officer and the Matchtech Managing Director.

EPS targets	2013 grant	
Below minimum target	<31.05 pence	0% vesting
Minimum target	31.05 pence	50% vesting
Between minimum and maximum	31.05 pence–34.15 pence	straight-line vesting
Maximum target	>34.15 pence	100% vesting

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 £1,500 per annum, which will be used to purchase Matchtech Group shares ('Invest shares').

The Group will award 1 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 2013, 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	3,912	2,450
Tony Dyer	5,067	3,449
Keith Lewis	6,501	4,606
Total	15,480	10,505

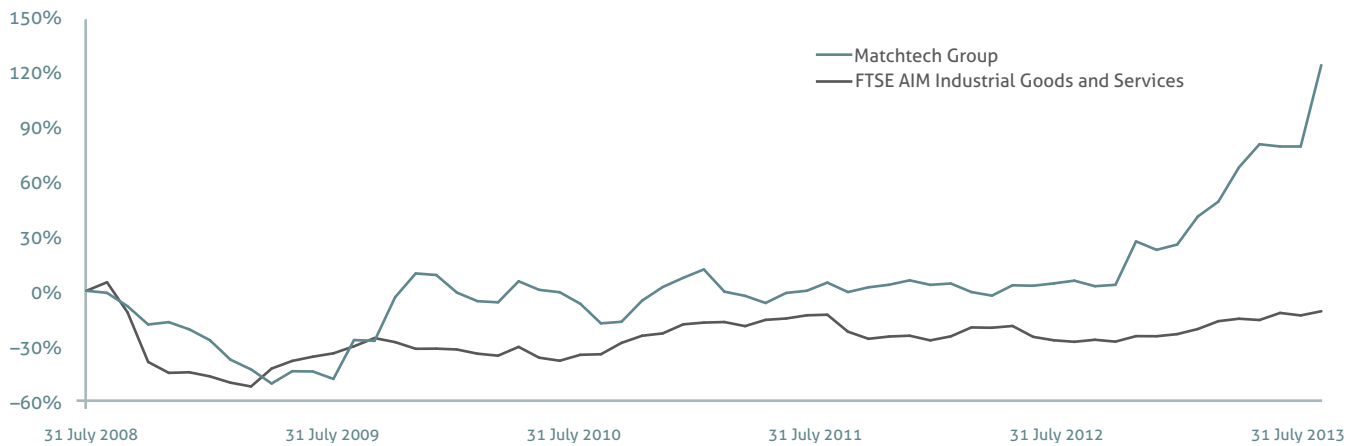
Directors' Remuneration Report continued

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TSR Performance

The graph below illustrates the TSR of the Group for period 31 July 2008 to 31 July 2013, 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.

TSR from July 2008



Directors' Remuneration

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

Director	Salaries and fees £'000	Pension £'000	Benefits £'000	Profit bonus £'000	Growth bonus £'000	2013 Total £'000	2012 Total £'000
George Materna	83	–	2	–	–	85	94
Adrian Gunn	157	54	12	50	55	328	314
Tony Dyer	124	46	12	40	44	266	249
Andrew White	47	–	2	–	–	49	44
Ric Piper	47	–	–	–	–	47	42
Stephen Burke	44	–	3	–	–	47	42
Richard Bradford	42	–	–	–	–	42	42
Rudi Kindts	42	–	–	–	–	42	17
Keith Lewis ¹	127	29	10	25	28	219	–
Total	713	129	41	115	127	1,125	844

1 Appointed 5 September 2012.

Directors' Interests in Shares and Share Options

The Directors' interests in the share capital of the Group at 31 July 2013 are shown below. There are no changes to this information as at the date of this report.

Director	Ordinary shares at 31 July 2012	Change in year	Ordinary shares at 31 July 2013	% of share capital
George Materna	7,877,405	–	7,877,405	33.4%
Andrew White	1,093,032	–	1,093,032	4.6%
Adrian Gunn	419,016	10,886	429,902	1.8%
Tony Dyer	301,256	7,739	308,995	1.3%
Keith Lewis	279,998	3,155	283,153	1.2%

Share Options and Deferred Share Bonus Options

Director	As at 31 July 2012	Options granted	Options lapsed	As at 31 July 2013	Date at which exercisable	Expiry date
Adrian Gunn						
2012 LTIP – 31 January 2012	25,000	–	–	25,000	31 January 2015	31 January 2022
2010 DSBP – 18 January 2010	12,500	–	–	12,500	18 January 2012	4 February 2021
2013 LTIP – 31 January 2013	–	25,000	–	25,000	31 January 2016	31 January 2023
2013 DSBP – 31 January 2013	–	25,000	–	25,000	31 January 2016	31 January 2023
Tony Dyer						
2012 LTIP – 31 January 2012	16,000	–	–	16,000	31 January 2015	31 January 2022
2010 DSBP – 18 January 2010	8,000	–	–	8,000	18 January 2012	4 February 2021
2013 LTIP – 31 January 2013	–	16,000	–	16,000	31 January 2016	31 January 2023
2013 DSBP – 31 January 2013	–	16,000	–	16,000	31 January 2016	31 January 2023
Keith Lewis						
2012 LTIP – 31 January 2012	10,000	–	–	10,000	31 January 2015	31 January 2022
2010 DSBP – 18 January 2010	5,000	–	–	5,000	18 January 2012	4 February 2021
2013 LTIP – 31 January 2013	–	16,000	–	16,000	31 January 2016	31 January 2023
2013 DSBP – 31 January 2013	–	16,000	–	16,000	31 January 2016	31 January 2023

The IFRS 2 charge in the year for all LTIPs and deferred bonus option relating to the Executive Directors was £31,000 (2012: £7,000) in respect of Adrian Gunn, £20,000 (2012: £5,000) in respect of Tony Dyer and £17,000 (2012: £3,000) in respect of Keith Lewis.

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 2013, the closing market price of Matchtech Group plc ordinary shares was 417.5 pence. The highest and lowest prices of these shares during the year were 417.5 pence on 31 July 2013 and 200.0 pence on 17 August 2012 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
15 October 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATCHTECH GROUP PLC

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We have audited the financial statements of Matchtech Group plc for the year ended 31 July 2013 set out on pages 47 to 67. 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 and, in respect of the separate opinion in relation to the Directors' Remuneration Report and reporting on corporate governance, on terms that have been agreed. 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, in respect of the separate opinion in relation to the Directors' Remuneration Report and reporting on corporate governance, those matters that we have agreed to state to them in our 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 32, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters 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: Under the Companies Act 2006 and under the terms of our engagement we are required 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 and the part of the Directors' Remuneration Report which we were engaged to audit 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.



William Smith (Senior Statutory Auditor) for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Dukes Keep, Marsh Lane
Southampton, Hampshire
SO14 3EX

15 October 2013

Consolidated Income Statement for the year ended 31 July 2013

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	Note	2013 £'000	2012 £'000
Revenue		408,926	371,366
Cost of sales		(370,554)	(335,248)
GROSS PROFIT	2	38,372	36,118
Administrative expenses		(27,696)	(27,444)
PROFIT FROM OPERATIONS	3	10,676	8,674
Finance income		2	2
Finance costs	5	(782)	(711)
PROFIT BEFORE TAX		9,896	7,965
Income tax expense	8	(2,361)	(2,268)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		7,535	5,697

All of the current year activities of the Group are classed as continuing; the prior year activities include discontinued activities as outlined on page 6.

EARNINGS PER ORDINARY SHARE

	Note	2013 pence	2012 pence
Basic	9	32.0	24.3
Diluted	9	30.7	23.5

Statement of Comprehensive Income for the year ended 31 July 2013

	2013 £'000	2012 £'000
Profit for the year	7,535	5,697
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	(95)	74
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(95)	74
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7,440	5,771

Statement of Changes in Equity for the year ended 31 July 2013

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A) Group

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation of foreign operations £'000	Retained earnings £'000	Total £'000
At 1 August 2011	234	3,126	224	779	(10)	20,701	25,054
Profit for the year	–	–	–	–	–	5,697	5,697
Other comprehensive income	–	–	–	–	74	–	74
Total comprehensive income	–	–	–	–	74	5,697	5,771
Dividends paid in the year	–	–	–	–	–	(3,652)	(3,652)
Deferred tax movement re share options	–	–	–	–	–	(3)	(3)
IFRS2 charge	–	–	–	476	–	–	476
IFRS2 reserves transfer	–	–	–	(370)	–	370	–
Shares issued	–	2	–	–	–	–	2
Transactions with owners	–	2	–	106	–	(3,285)	(3,177)
At 31 July 2012	234	3,128	224	885	64	23,113	27,648
At 1 August 2012	234	3,128	224	885	64	23,113	27,648
Profit for the year	–	–	–	–	–	7,535	7,535
Other comprehensive income	–	–	–	–	(95)	–	(95)
Total comprehensive income	–	–	–	–	(95)	7,535	7,440
Dividends paid in the year	–	–	–	–	–	(3,704)	(3,704)
Deferred tax movement re share options	–	–	–	–	–	223	223
IFRS2 charge	–	–	–	610	–	–	610
IFRS2 reserves transfer	–	–	–	(401)	–	401	–
Shares issued	2	103	–	–	–	–	105
Transactions with owners	2	103	–	209	–	(3,080)	(2,766)
At 31 July 2013	236	3,231	224	1,094	(31)	27,568	32,322

B) Company

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2011	234	3,126	779	866	5,005
Profit and total comprehensive income for the year	–	–	–	3,350	3,350
Dividends paid in the year	–	–	–	(3,652)	(3,652)
IFRS 2 charge	–	–	476	–	476
IFRS 2 reserves transfer	–	–	(370)	370	–
Shares issued	–	2	–	–	2
Transactions with owners	–	2	106	(3,282)	(3,174)
At 31 July 2012	234	3,128	885	934	5,181
At 1 August 2012	234	3,128	885	934	5,181
Profit and total comprehensive income for the year	–	–	–	4,140	4,140
Dividends paid in the year	–	–	–	(3,704)	(3,704)
IFRS 2 charge	–	–	610	–	610
IFRS 2 reserves transfer	–	–	(401)	401	–
Shares issued	2	103	–	–	105
Transactions with owners	2	103	209	(3,303)	(2,989)
At 31 July 2013	236	3,231	1,094	1,771	6,332

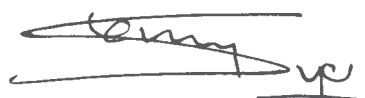
Statements of Financial Position

for the year ended 31 July 2013

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	Note	Group		Company	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
NON-CURRENT ASSETS					
Intangible assets	10	635	498	–	–
Property, plant and equipment	11	1,744	1,832	–	–
Investments	12	–	–	2,068	1,458
Deferred tax asset	13	533	220	–	–
Total Non-Current Assets		2,912	2,550	2,068	1,458
CURRENT ASSETS					
Trade and other receivables	14	69,210	62,749	4,913	3,576
Cash		857	626	39	147
Total Current Assets		70,067	63,375	4,952	3,723
TOTAL ASSETS		72,979	65,925	7,020	5,181
NON-CURRENT LIABILITIES					
Provisions	15	(278)	(278)	–	–
Total Non-Current Liabilities		(278)	(278)	–	–
CURRENT LIABILITIES					
Trade and other payables	16	(27,800)	(21,825)	(688)	–
Current tax liability		(1,229)	(1,074)	–	–
Bank loans and overdrafts	21	(11,350)	(15,100)	–	–
Total Current Liabilities		(40,379)	(37,999)	(688)	–
TOTAL LIABILITIES		(40,657)	(38,277)	(688)	–
NET ASSETS		32,322	27,648	6,332	5,181
EQUITY					
Called-up equity share capital	19	236	234	236	234
Share premium account		3,231	3,128	3,231	3,128
Merger reserve		224	224	–	–
Share-based payment reserve		1,094	885	1,094	885
Translation of foreign operations		(31)	64	–	–
Retained earnings		27,568	23,113	1,771	934
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		32,322	27,648	6,332	5,181

These financial statements were approved by the Board of Directors on 15 October 2013, and signed on their behalf by:



Tony Dyer
Chief Financial Officer

Consolidated Cash Flow Statements

for the year ended 31 July 2013

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation	7,535	5,697	4,140	3,350
Adjustments for:				
Depreciation and amortisation	816	702	-	-
(Profit)/loss on disposal of property, plant and equipment	(4)	1	-	-
Interest income	(2)	(2)	-	(2)
Interest expense	782	711	-	-
Income taxation expense recognised in the income statement	2,361	2,268	-	-
(Increase)/decrease in trade and other receivables	(6,574)	(6,223)	(1,337)	301
Increase in trade and other payables	5,975	5,248	688	-
Increase in provisions	-	278	-	-
Share-based payment charge	610	476	-	-
Investment income	-	-	(3,704)	(3,645)
Cash generated from operations	11,499	9,156	(213)	4
Interest paid	(732)	(703)	-	-
Income taxes paid	(2,296)	(1,916)	-	-
NET CASH FROM OPERATING ACTIVITIES	8,471	6,537	(213)	4
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of plant and equipment	(484)	(868)	-	-
Purchase of intangible assets	(418)	(575)	-	-
Proceeds from sale of plant	41	45	-	-
Interest received	2	2	-	2
Dividend received	-	-	3,704	3,645
NET CASH USED IN INVESTING ACTIVITIES	(859)	(1,396)	3,704	3,647
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital	105	4	105	4
Payment of transactions costs relating to loans and borrowings	-	(150)	-	-
Dividends paid	(3,704)	(3,652)	(3,704)	(3,652)
NET CASH USED IN FINANCING	(3,599)	(3,798)	(3,599)	(3,648)
Effects of exchange rates on cash and cash equivalents	18	(4)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,031	1,339	(108)	3
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(14,616)	(15,955)	147	144
CASH AND CASH EQUIVALENTS AT END OF YEAR	(10,585)	(14,616)	39	147
CASH AND CASH EQUIVALENTS				
Cash	857	626	39	147
Bank overdrafts	(67)	(169)	-	-
Working capital facility used	(11,375)	(15,073)	-	-
CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENTS	(10,585)	(14,616)	39	147

Notes

forming part of the financial statements

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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 2013.

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

iii Going concern

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

iv New standards and interpretations

New standards and amendments to existing standards applicable for the period ending 31 July 2013 are:

IAS 1	Financial Statement Presentation
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The adoption of the above standard has had no impact on the financial statements. Specifically, there was no impact on the Statement of Financial Position in the current or prior periods, and as such an additional comparative Statement of Financial Position has not been included.

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 28	Associates and Joint Ventures	1 January 2014
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS improvements	Various	Various

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

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

v Basis of consolidation

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

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the 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 completion of work performed in accordance with client agreements. Fees for the provision of engineering services are recognised on completion of work performed in accordance with customer contracts.

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. Depreciation is charged per annum as follows:

Motor vehicles	25.0%	Reducing balance
Computer equipment	25.0%	Straight-line
Office equipment	12.5%	Straight-line
Leasehold improvements	Over the period of the lease term	

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%–50%.

Other intangible assets are included at cost and amortised on a straight-line basis over the useful economic life of that asset.

Provision is made against the carrying value of intangible assets where an impairment in value is deemed to have occurred. Amortisation is recognised in the Income Statement under administrative expenses.

ix Disposal of assets

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

x Operating lease agreements

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

xi Taxation

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

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

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

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

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

xii Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the Income Statement as they accrue.

xiii Share-based payments

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

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

Notes continued

forming part of the financial statements

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1 The Group and Company significant accounting policies continued

The Company is the granting and settling entity in the Group share-based payment arrangement where share options are granted to employees of its subsidiary companies. The Company recognises the share-based payment expense as an increase in the investment in subsidiary undertakings.

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

xiv Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 August 2006.

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

xv Financial assets

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

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

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

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

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

Trade receivables subject to the invoice discounting facility are recognised in the Statement of Financial Position until they are settled by the customer. The Group is responsible for collection of trade receivables and undertakes the risks and rewards until they are settled by the customer.

xvi Financial liabilities

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

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

xvii Cash and cash equivalents

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

xviii Dividends

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

xix Foreign currencies

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

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

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

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

xx Equity

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares.
- 'Share premium' represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- 'Share-based payment reserve' represents equity-settled share-based employee remuneration until such share options are exercised.
- 'Merger reserve' represents the equity balance arising on the merger of Matchtech Engineering Limited and Matchmaker Personnel Limited.
- '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 judgements 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 ongoing 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 judgements 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 drawdown of funds against this facility. This facility is recognised as a liability for the amount drawn.

Key sources of estimation uncertainty

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

Estimated Useful Lives of Property, Plant and Equipment

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

Impairment Loss of Trade and Other Receivables

The Group's policy for doubtful receivables is based on the ongoing 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 19.

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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**2013**

All amounts in £'000	Engineering	Professional services	Group Total
Revenue	293,524	115,402	408,926
Gross profit	23,919	14,453	38,372
Profit from operations	9,094	1,582	10,676
Finance costs, net	(583)	(197)	(780)
Profit before tax	8,511	1,385	9,896
Depreciation and amortisation	572	244	816
Segment net assets	48,705	19,148	67,853
Unallocated net liabilities			(35,531)
Total net assets			32,322

2012

All amounts in £'000	Engineering	Professional services	Group Total
Revenue	266,849	104,517	371,366
Gross profit	22,301	13,817	36,118
Profit from operations	7,500	1,174	8,674
Finance costs, net	(516)	(193)	(709)
Profit before tax	6,984	981	7,965
Depreciation and amortisation	334	368	702
Segment net assets	44,601	17,469	62,070
Unallocated net liabilities			(34,422)
Total net assets			27,648

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

Geographical information

All amounts in £'000	United Kingdom		Germany		Total	
	2013	2012	2013	2012	2013	2012
Revenue	405,629	368,348	3,297	3,018	408,926	371,366
Gross profit	37,560	35,239	812	879	38,372	36,118
Profit/(loss) from operations	10,736	9,084	(60)	(410)	10,676	8,674
Finance cost, net	(734)	(676)	(46)	(33)	(780)	(709)
Profit/(loss) before tax	10,002	8,408	(106)	(443)	9,896	7,965
Depreciation and amortisation	811	700	5	2	816	702
Net non-current assets	2,625	2,540	9	10	2,634	2,550
Net current assets/(liabilities)	30,750	25,849	(1,062)	(751)	29,688	25,008
Total net assets/(liabilities)	33,375	28,389	(1,053)	(741)	32,322	27,648

Revenue and net non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary. Included within UK revenues is cross-border revenues of £5,171,000 (2012: £4,298,000).

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5 Finance costs

	2013 £'000	2012 £'000
Bank interest payable	782	711

6 Dividends

	2013 £'000	2012 £'000
Equity dividends paid during the year at 15.75 pence per share (2012: 15.6 pence)	3,704	3,652
Equity dividends proposed after the year end (not recognised as a liability) at 12.85 pence per share (2012: 10.6 pence)	3,170	2,485

A dividend will be declared from Matchtech Group Holdings Limited prior to the payment of the proposed dividend above, to ensure that Matchtech Group plc has sufficient distributable reserves to pay the proposed dividend.

7 Parent company profit

	2013 £'000	2012 £'000
The amount of profit dealt with in the accounts of the Company	4,140	3,350

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

8 Income tax expense

	2013 £'000	2012 £'000
Current Tax: UK corporation tax	2,481	2,311
Prior year over provision	(30)	(8)
	2,451	2,303
Deferred tax (Note 13)	(90)	(35)
Income tax expense	2,361	2,268

UK corporation tax has been charged at 23.7% (2012: 25.3%).

The charge for the year can be reconciled to the profit as per the Income Statement as follows:

	2013 £'000	2012 £'000
Profit before tax	9,896	7,965
Profit before tax multiplied by the standard rate of corporation tax in the UK of 23.7% (2012: 25.3%)	2,345	2,015
Expenses not deductible for tax purposes	73	204
Enhanced R&D tax relief	(62)	(42)
Adjustments to tax charge in respect of previous periods	(30)	(8)
Overseas losses not provided for	35	99
Total tax charge for period	2,361	2,268

Tax charge recognised directly in equity:

	2013 £'000	2012 £'000
Deferred tax recognised directly in equity	223	(3)
Total tax recognised directly in equity	223	(3)

Future tax rate changes

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 July 2013 has been calculated using a UK corporation tax rate of 20%.

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 due to the issue of new share options in the current year.

The earnings per share information has been calculated as follows:

	2013	2012
	£'000	£'000
Profit after tax attributable to ordinary shareholders	7,535	5,697
	2013	2012
	'000s	'000s
Weighted average number of ordinary shares in issue	23,525	23,408
Effect of dilutive potential ordinary shares	987	845
Total	24,512	24,253
	2013	2012
	pence	pence
Earnings per ordinary share – basic	32.0	24.3
– diluted	30.7	23.5

10 Intangible assets**Group**

		Software licences £'000	Other £'000	Total £'000
COST	At 1 August 2011	380	–	380
	Additions	175	–	175
	Acquisitions	–	400	400
	At 1 August 2012	555	400	955
	Additions	418	–	418
	At 31 July 2013	973	400	1,373
AMORTISATION	At 1 August 2011	274	–	274
	Charge for the year	67	116	183
	At 1 August 2012	341	116	457
	Charge for the year	81	200	281
	At 31 July 2013	422	316	738
NET BOOK VALUE	At 31 July 2012	214	284	498
	At 31 July 2013	551	84	635

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11 Property, plant and equipment Group

		Motor vehicles £'000	Office equipment £'000	Leasehold improvements £'000	Computer equipment £'000	Total £'000
COST	At 1 August 2011	1,646	1,551	243	858	4,298
	Additions	228	13	406	221	868
	Disposals	(183)	–	–	–	(183)
	At 1 August 2012	1,691	1,564	649	1,079	4,983
	Additions	182	30	57	215	484
	Disposals	(161)	–	–	–	(161)
	At 31 July 2013	1,712	1,594	706	1,294	5,306
DEPRECIATION	At 1 August 2011	956	1,131	23	658	2,768
	Charge for the year	196	113	94	116	519
	Released on disposal	(136)	–	–	–	(136)
	At 1 August 2012	1,016	1,244	117	774	3,151
	Charge for the year	191	98	106	140	535
	Released on disposal	(124)	–	–	–	(124)
	At 31 July 2013	1,083	1,342	223	914	3,562
NET BOOK VALUE	At 31 July 2012	675	320	532	305	1,832
	At 31 July 2013	629	252	483	380	1,744

Included within leasehold improvements is £228,000 relating to the dilapidations provision (see Note 15).

There were no capital commitments as at 31 July 2013 or 31 July 2012.

12 Investments

	Company	
	2013 £'000	2012 £'000
Investment in Group companies at 1 August	1,458	983
Movement in investment in Group companies	610	475
Investment in Group companies at 31 July	2,068	1,458

Subsidiary undertakings

Company	Country of Incorporation	Share Class	% held	Main Activities
Matchtech Group (Holdings) Limited	United Kingdom	Ordinary	100%	Non-trading
Matchtech Group Management Company Limited	United Kingdom	Ordinary	48%	Non-trading
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
Connectus Technology Limited	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Connectus Recruitment Limited	United Kingdom	Ordinary	100%	Non-trading
Matchtech GmbH	Germany	Ordinary	100%	Provision of recruitment consultancy
Matchtech BV	Netherlands	Ordinary	100%	Non-trading
Matchtech Engineering Inc	USA	Ordinary	100%	Non-trading

All holdings are indirect except Matchtech Group (Holdings) Limited and Matchtech GmbH.

Matchtech Group Management Company Limited has been consolidated under the Special Purpose Entity rules within International Accounting Standards. Although senior management of the Group hold a number of shares in Matchtech Group Management Company Limited, this entity is considered to be a special purpose entity and as such these shares are considered own shares held. No separate reserve is shown as the amounts held are immaterial.

13 Deferred tax asset

The deferred tax asset is represented by:

	Group	
	2013 £'000	2012 £'000
Temporary differences on share-based payments		
At 1 August	220	188
Recognised in income	90	35
Recognised in equity	223	(3)
At 31 July	533	220

The rate of UK corporation tax applied to deferred tax calculations is 20% (2012: 24%).

14 Trade and other receivables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade receivables	67,853	62,070	–	–
Amounts owed by Group companies	–	–	4,913	3,576
Other receivables	433	70	–	–
Prepayments	924	609	–	–
Total	69,210	62,749	4,913	3,576

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 48.9 days (2012: 49.6 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 £6,037,000 (2012: £7,357,000) 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.

Ageing of past due but not impaired trade receivables:

	Group	
	2013 £'000	2012 £'000
0–30 days	4,845	6,019
30–60 days	808	998
60–90 days	372	287
90+ days	12	53
Total	6,037	7,357

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14 Trade and other receivables continued

Movement in the allowance for doubtful debts:

	Group	
	2013 £'000	2012 £'000
Balance at 1 August	260	201
Impairment losses recognised	325	59
Balance at 31 July	585	260

Ageing of impaired trade receivables:

	Group	
	2013 £'000	2012 £'000
Not past due at reporting date	–	–
0–30 days	5	–
30–60 days	11	22
60–90 days	60	22
90+ days	509	216
Total	585	260

15 Provisions

	Group	
	2013 £'000	2012 £'000
Balance at 1 August	278	–
Transfer from other payables	–	50
Provisions made during the year	–	228
Balance at 31 July	278	278
Non-Current	278	278
Current	–	–
	278	278

The above provision relates to a dilapidations provision based on the requirement to return leased buildings to their original condition at the end of the lease term. The provision relates to five offices held under lease arrangements that expire between August 2016 and June 2017.

16 Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade payables	–	149	–	–
Amounts owed to Group companies	–	–	688	–
Taxation and social security	6,636	5,863	–	–
Contractor wages creditor	17,469	13,308	–	–
Accruals and deferred income	3,031	2,189	–	–
Other payables	664	316	–	–
Total	27,800	21,825	688	–

17 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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade and other receivables				
– Loan and receivables	67,567	62,140	4,913	3,476
Cash and cash equivalents				
– Loan and receivables	857	626	39	147
Total	68,424	62,766	4,952	3,623

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

	Group	
	2013 £'000	2012 £'000
Current liabilities		
Borrowings		
– Financial liabilities recorded at amortised cost	11,350	15,100
Trade and other payables		
– Financial liabilities recorded at amortised cost	20,445	15,961
Total	31,795	31,061

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, which contains fixed and floating charges over the assets of the Group. The facility held with Barclays Bank allows the Company to borrow up to 90% of its invoiced debtors up to a maximum of £50m. Interest is charged on borrowings at a rate of 2% over Barclays Bank base rate.

18 Commitments under operating leases

At 31 July 2013 the Group had commitments to pay the following amounts under non-cancellable operating leases as set out below:

		Group	
		2013 £'000	2012 £'000
Land and buildings	Payments falling due:		
	within 1 year	815	793
	within 1 to 5 years	2,340	2,818
	after 5 years	138	117
Other	Payments falling due:		
	within 1 year	94	150
	within 1 to 5 years	29	57

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19 Share capital**Authorised share capital**

	Company	
	2013 £'000	2012 £'000
40,000,000 ordinary shares of £0.01 each	400	400

Allotted, called up and fully paid:

	Company	
	2013 £'000	2012 £'000
23,616,000 (2012: 23,445,000) ordinary shares of £0.01 each	236	234

The number of shares in issue in the Company is shown below:

	Company	
	2013 '000	2012 '000
In issue at 1 August	23,445	23,387
Exercise of share options	145	18
Shares granted under Share Incentive Plan	26	40
In issue at 31 July	23,616	23,445

Share options

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

	2013 '000s	2012 '000s	Date of grant	Exercise price (pence)	Exercise period From	To
Key Share Options	–	24	18/06/2004	70	18/06/2005	18/06/2014
Key Share Options	32	86	01/12/2005	146	01/06/2007	01/12/2015
Target/Loyalty Share Options	–	2	05/03/2003	70	14/07/2005	05/03/2013
Target/Loyalty Share Options	1	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	10	18	01/12/2005	146	01/12/2006	01/12/2015
Deferred Share Bonus	16	24	18/01/2010	1	18/01/2012	18/01/2020
Deferred Share Bonus	16	33	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	10	16	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Option Bonus	10	24	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	20	61	04/02/2011	1	25/01/2013	04/02/2021
Zero Priced Share Option Bonus	188	229	04/02/2011	1	03/02/2014	04/02/2021
Long-Term Incentive Plan Options	51	71	31/01/2012	1	30/01/2015	31/01/2022
Zero Priced Share Option Bonus	33	43	31/01/2012	1	30/01/2014	31/01/2022
Zero Priced Share Option Bonus	232	297	31/01/2012	1	30/01/2015	31/01/2022
Long-Term Incentive Plan Options	57	–	31/01/2013	1	30/01/2016	31/01/2023
Zero Priced Share Option Bonus	44	–	31/01/2013	1	30/01/2015	31/01/2023
Zero Priced Share Option Bonus	281	–	31/01/2013	1	30/01/2016	31/01/2023
Total	1,002	931				

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 31 January 2013 and are subject to an EPS performance target with a Total Shareholder Return (TSR) underpin. The zero priced share options were granted on 31 January 2013 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:

	2013			2012		
	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	931	19.3	–	691	26.0	–
Granted	397	1.0	–	545	1.0	–
Forfeited/lapsed	(166)	1.0	–	(287)	1.0	–
Exercised	(160)	66.0	290.7	(18)	11.4	219.0
Outstanding at 31 July	1,002	7.2		931	19.3	
Exercisable at 31 July	116	53.9		173	91.1	

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

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

Exercise Date	2013			2012		
	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)
30/01/2014	6	33	1.0	18	43	1.0
03/02/2014	7	188	1.0	19	229	1.0
30/01/2015	18	327	1.0	30	368	1.0
30/01/2016	30	338	1.0	–	–	–
Total		886			758	

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 the 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 the Black-Scholes method along with the assumptions as detailed below. The fair values of the SIPs and Deferred Bonus Shares were calculated as the 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 (£)
07/08/2012	SIP	2.03	0.01	N/A	3.00	N/A	N/A	2.03
12/09/2012	SIP	2.04	0.01	N/A	3.00	N/A	N/A	2.04
05/10/2012	SIP	2.21	0.01	N/A	3.00	N/A	N/A	2.21
09/11/2012	SIP	2.37	0.01	N/A	3.00	N/A	N/A	2.37
12/12/2012	SIP	2.33	0.01	N/A	3.00	N/A	N/A	2.33
11/01/2013	SIP	2.63	0.01	N/A	3.00	N/A	N/A	2.63
31/01/2013	LTIP	2.67	0.01	14%	2.00	5.8%	0.56%	1.76
31/01/2013	Deferred bonus	2.67	0.01	N/A	3.00	5.8%	0.56%	2.27
31/01/2013	Deferred bonus	2.67	0.01	N/A	2.00	5.8%	0.37%	2.41
31/01/2013	Zero price bonus	2.67	0.01	14%	2.00	5.8%	0.56%	2.24
31/01/2013	Zero price bonus	2.67	0.01	14%	3.00	5.8%	0.56%	2.24
08/02/2013	SIP	2.73	0.01	N/A	3.00	N/A	N/A	2.73
12/03/2013	SIP	2.87	0.01	N/A	3.00	N/A	N/A	2.87
12/04/2013	SIP	3.47	0.01	N/A	3.00	N/A	N/A	3.47
10/05/2013	SIP	3.38	0.01	N/A	3.00	N/A	N/A	3.38

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

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20 Transactions with Directors and related parties

During the year the Group made sales of £64,000 (2012: £4,000) to CTruk Group Limited and £72,000 (2012: £88,000) to CWind Limited, both related parties by virtue of the common directorship of Andy White. The Group also made sales of £177,000 (2012: £37,000) to InHealth Group which is a related party by virtue of common directorship of Richard Bradford and £38,000 (2012: £nil) to Waterman Group which is a related party by virtue of common directorship of Ric Piper. As at the year end CTruk Group Limited had a balance outstanding of £nil (2012: £2,000), CWind Limited had a balance outstanding of £nil (2012: £32,000), InHealth Group had a balance outstanding of £55,000 (2012: £27,000) and Waterman Group had a balance outstanding of £4,000 (2012: £nil). 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 £436,000 (2012: £394,000) for provision of management services. Further details of transactions with Directors are included in the Director's Remuneration Report on pages 40 to 45.

21 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 2013 was as follows:

	Group	
	2013 £'000	2012 £'000
In less than one year or on demand:		
Bank overdrafts	67	169
Working capital facility	11,375	15,073
Finance costs capitalised	(92)	(142)
Bank loans and overdrafts	11,350	15,100
Trade and other payables	21,164	15,961
Total	32,514	31,061

Borrowing facilities

The Group makes use of a working capital facility, details of which can be found in Note 17. The undrawn facility available at 31 July 2013 in respect of which all conditions precedent had been met was as follows:

	Group	
	2013 £'000	2012 £'000
Expiring in 1 to 5 years	38,625	34,927

The working capital facility of £50m is committed until June 2015.

The Directors have calculated that the effect on profit of a 1% movement in interest rates would be £292,000.

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

Net foreign currency monetary assets are shown below:

	Group	
	2013 £'000	2012 £'000
Euros	1,232	923

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.

22 Capital management policies and procedures

Matchtech Group plc's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and to provide an adequate return to shareholders; 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	
	2013 £'000	2012 £'000
Total equity	32,322	27,648
Cash	(857)	(626)
Capital	31,465	27,022
Total equity	32,322	27,648
Borrowings	11,350	15,100
Overall financing	43,672	42,748
Capital to overall financing ratio	72%	63%

23 Subsequent events

On 5 September 2013 the Group acquired 100% of the ordinary share capital of Application Services Limited, trading as Provanis, a niche technology recruitment business for a total cash consideration of £4m funded from the Group's existing lending facility. Provanis is a technology recruitment business which will complement the Group's newly rebranded technology business, Connectus.

An exercise to determine the fair value of the net assets and any contingent liabilities acquired is ongoing at the time of authorising the Group financial statements.

On 20 September 2013, the Group placed 1,050,000 new ordinary shares of 1 pence each at a price of 405 pence, raising £4m cash. The proceeds of the placing were used to repay the drawdown on the Group's existing lending facility which was used to fund the acquisition of Provanis.

Notes

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	Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT
Principal Bankers	Barclays Bank Barclays House 3rd Floor, Ocean Way Southampton Hampshire SO14 2ZP
Invoice Finance Bankers	Barclays Bank plc, Barclays Commercial, PO Box 6751, Basingstoke RG24 4HN
Registrars	Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU

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