MATCHTECH GROUP PLC

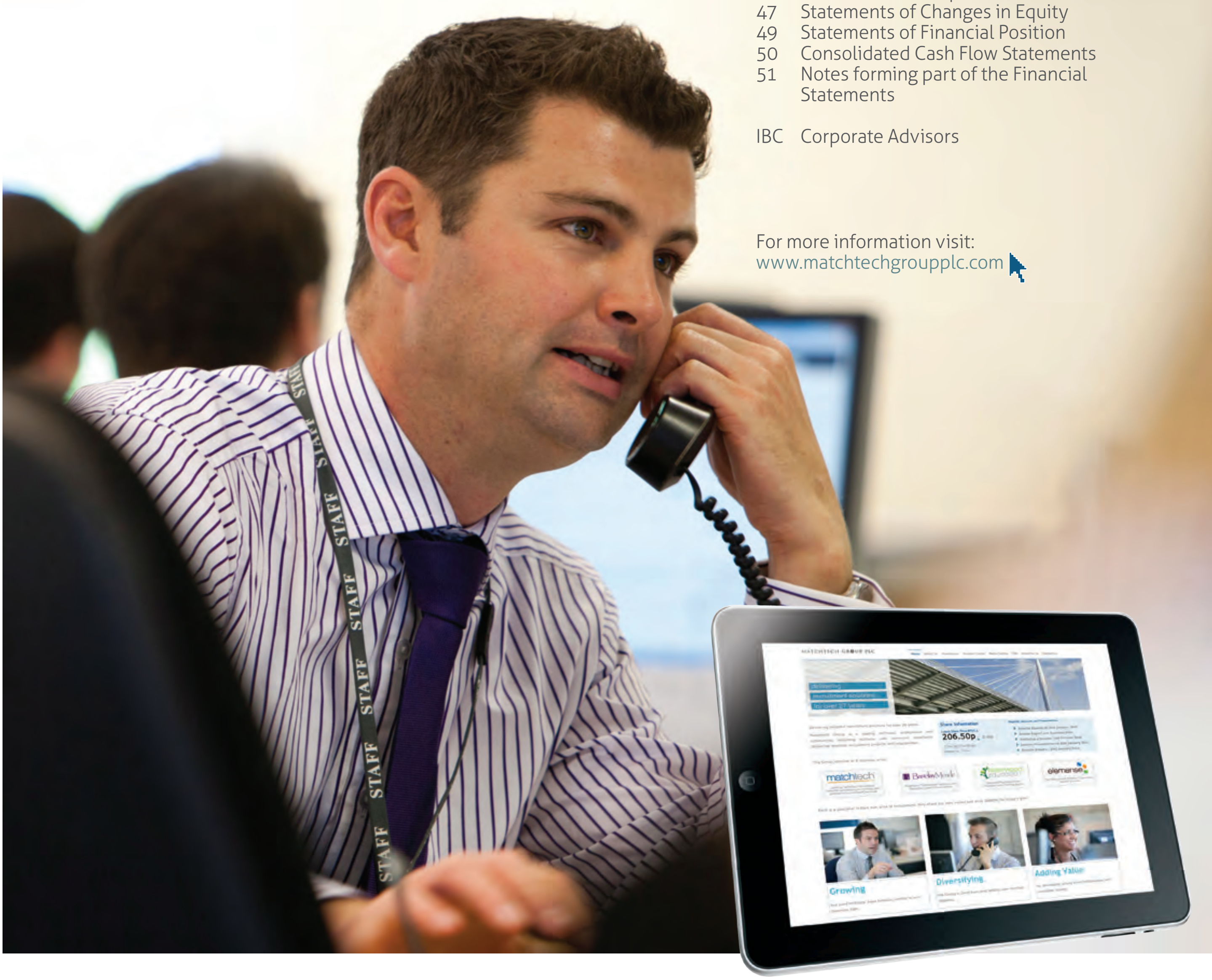
Growing | Diversifying | Adding value

Annual Report 2012

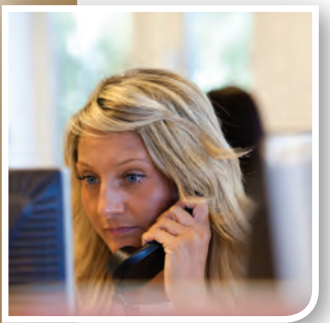
Matchtech Group is a specialist recruitment group with over 28 years' experience of delivering niche recruitment services into the engineering and professional services markets.

FOR MORE ABOUT OUR BUSINESS SEE P.02

For more information visit:
www.matchtechgroupplc.com



Highlights 2012



- Revenue **£371.4m** up **23%** (2011: £301.8m)
- Net fee income[1] (NFI) **£36.1m** up **21%** (2011: £29.8m)
- Permanent recruitment fees **£11.5m** up **22%** (2011: £9.4m)
- Permanent fees account for **32%** of NFI (2011: 32%)
- Profit from operations **£8.7m** up **28%** (2011: £6.8m)
- Profit before tax **£8.0m** up **25%** (2011: £6.4m)
- Basic earnings per share **24.3** pence up **20%** (2011: 20.3 pence)
- Final dividend per share maintained at **10.6** pence giving total dividend for the year of **15.6** pence (2011: 15.6 pence)
- Net debt of **£14.5m** (2011: £16.0m)

1 NFI is calculated as revenue less contractor payroll costs.

Group revenue
£371.4m
▲+23%

Net fee income
£36.1m
▲+21%

OVERVIEW

The Group at a Glance

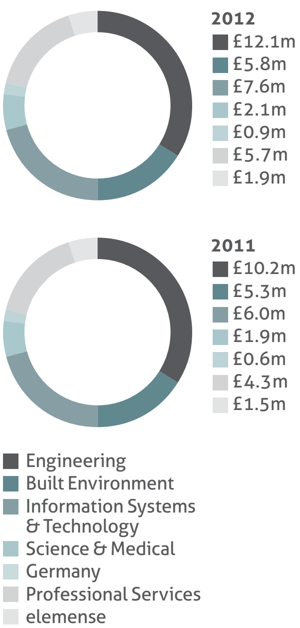
Established in 1984 and AIM-listed in 2006, we have become one of the UK's top specialist recruitment companies with a turnover in excess of £370m.

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

A niche engineering recruitment company, Matchtech is the largest engineering recruitment business in the UK[1].

1 Source – Recruitment International Top 250 Report 2011.

NFI by Sector



GROWTH MARKETS

We have supplied into 25 countries in the last year, including Germany, where we have our first staffed non-UK office. We currently have contractors working through partners in China, Kazakhstan, Qatar and the USA amongst others. Whilst continuing to grow in the UK we will be looking into potential new geographical markets that complement our business growth strategy.

STRATEGIC OBJECTIVES

- Maintain our historically high levels of net fee income (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

For more information visit:
www.matchtech.com

elemense

Managed services organisation that generates revenue through value added consultancy advice whilst providing account management support to our key client framework agreements.

elemense offers a range of recruitment solutions specifically tailored for Group clients.

The opportunity for growth is through expanding its role within the Group's key client accounts, ensuring Service Level Agreement (SLA) delivery and strong client satisfaction.

- Ensure all key client contracts are delivered to agreed standards
- Find or create new business opportunities through relationship marketing
- Increase NFI per head by providing additional Group support services

For more information visit:
www.elemense.com

BarclayMeade

High end permanent and interim recruitment business within the professional services sector.

This brand has become established and is working with over 300 Small and Medium Enterprises (SMEs) and select blue-chip organisations.

As the brand matures, Barclay Meade expects to capture more market share, driven by both 'word of mouth' recommendations and active marketing.

- Ensure we focus on our core disciplines and maximise opportunities in our existing locations
- Instil a culture of success across all offices
- Have fully engaged staff focused on delivering a consistent high level sales performance
- Develop trainee consultants and succession plan for future talent

For more information visit:
www.barclaymeade.com

Alderwood

Specialist recruiter focusing on the skills and employability sector.

Alderwood is working in 2 growth markets, supplying candidates to the majority of the leading providers in the Welfare to Work sector and making good progress in the Work-Based Learning sector.

Both markets have strong growth potential.

- Establish Alderwood as the leading supplier into the Welfare to Work sector
- Become the market leader in Work-Based Learning
- Focus on fast, accurate services and excellent client handling

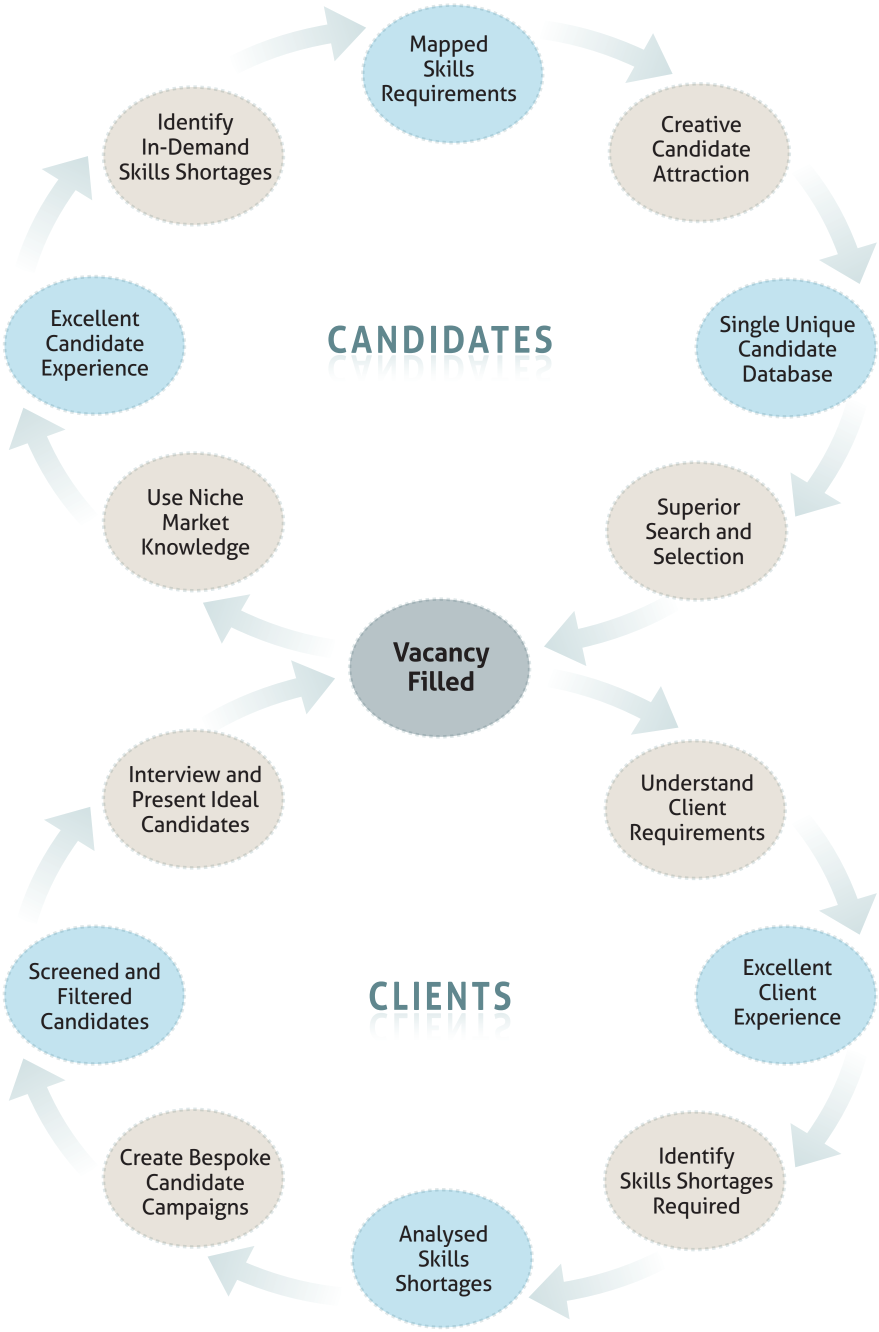
For more information visit:
www.alderwoodeducation.com

OVERVIEW

Business Model

The Group's success critically depends on finding the right candidates, registering them quickly, and matching their specialist skills and experience to the particular roles of our clients. This is achieved through ensuring that we have thorough and detailed knowledge of our clients and candidates. We focus our consultants on niche market segments, allowing them to become experts in their field. By overlaying structured business practices across the Group we are able to deliver a consistent client and candidate experience.

The diagram below demonstrates how our market-leading internal processes benefit both our clients and candidates:



Expert Knowledge in Targeted Markets
Our proven success is based on our niche market focus, which we serve expertly. Our consultants work in one chosen field, recruiting either permanent or contract candidates, in order to become a true consultant through understanding market conditions by skill and by client demand. Many of our consultants have memberships with leading industry bodies providing added value to our clients through industry updates and networking opportunities.

Our expert knowledge extends beyond recruiting skills for current projects as we seek to be an influencer on future recruitment needs. We maintain an active dialogue with large employers by presenting at their conferences and advising on the policy documents produced by trade bodies. Examples of the latter includes the British Marine Federation and the Royal Institution of Naval Architects. In addition, we make some 400 visits to universities each year to develop the employability of new candidates entering the markets into which we recruit. Our 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.

Skills Shortages
Understanding our clients' requirements is key. There are high levels of unemployment in the UK and Europe, but shortages in science, technology, engineering and mathematics (STEM) skills remain. The industries and the niche sectors that we supply are driven by global demand for UK products and services as well as large multi-year infrastructure programmes, such as building aircraft carriers, rail lines, or major energy and water projects. These programmes often require a high volume of temporary and permanent labour to meet project timescales and costs.

Mapping our clients' upcoming projects allows us to be proactive in finding scarce skills ahead of time. Our research helps client tender processes and our subsequent action ensures that successful projects are not delayed or over budget due to skill shortages.

2012 KEY FACTS + FIGURES

400,000
candidates categorised by industry needs

3,000
face-to-face meetings to qualify jobs

40
niche market delivery teams

5,000
new graduates registered

110,000
CVs sent, with 30% resulting in an interview

100
candidate attraction events and representation on 41 industry bodies

27,000
new vacancies in the year

34,000
interviews arranged

Candidate Attraction

Using our extensive market knowledge, we identify areas of in-demand skills. We have skilled resource teams who work closely with the consultants to attract these hard-to-find candidates to the Group, using both traditional and innovative sourcing methods. Consultants then have the time to focus on building relationships with clients and candidates.

"I would unhesitatingly recommend any of my fellow engineers to register with Matchtech. This is due to your company's diligence with regards to placing people with the appropriate skill set with the correct client. The experience of Matchtech customer service provided is without doubt vastly superior to any agency I have worked for."
Current contractor

Through a range of candidate attraction methods, we engage both active jobseekers, on job sites or who we meet at events, as well as passive jobseekers who engage through social media or are registered on our database. Engaging with passive jobseekers, including those based internationally, ensures that we increase the availability of the talent pool for our clients and represent candidates on an exclusive basis.

At the start of our last financial year, we invested significantly in the marketing of our individual brands, including revamps of the websites, which encourage talented job seekers to register with the Group.

Our candidate database, eMploy, was created in-house and is developed in line with our clients' needs. Our advanced filtering system, based on candidate availability, skills, experience and location, means that we form an initial list of relevant candidates quickly. The database also produces reports showing our performance in terms of quality, compliance and time-to-hire, where clients can measure our service against agreed criteria to drive continuous improvement throughout our agreements.

Candidate Selection

Currently, the UK recruitment industry is very competitive. One of the reasons we are an industry leader is that we have access to a high number of passive candidates as a result of our extensive database. In order to shortlist motivated, engaged and suitable candidates, we have a comprehensive screening and accurate selection process for all applicants, be they active or passive jobseekers.

We review applications in line with the Employment Agencies Act (EAA) regulations and the Recruitment and Employment Confederation's (REC) best practice. We check each candidate's proof of ID and their right to work, before analysing their technical competence for the role. We also use our understanding of the client's business to ensure that our shortlisted candidates have the soft skills to be a good cultural fit at the client.

Our screening processes reduce the time that our clients and candidates spend in unsuitable interviews. This improves the candidate experience, the time-to-hire and the levels of staff retention during the recruitment process and after placement. Our latest figures for our largest clients show an average 2.9 interviews per placement, demonstrating our capability in sending suitable candidates.

Excellent Candidate Experience

With almost 30 years of experience, we develop strong, mutually beneficial relationships that see many candidates remain loyal to us in order to advance their careers; 31% of our current contractors on assignment have worked with us on previous engagements. We are pleased that 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 recognise that our breadth and depth of industry expertise ensures 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.

"I have been an automation contractor with Matchtech for 10 years. In that time I have always found Matchtech to be very professional. Matchtech have a very good understanding of their clients' requirements and their contractors' skills and I have never been mismatched with a client. In addition Matchtech are always quick to respond to requests or enquires and I can thoroughly recommend any client or contractor to use them."
Current engineering contractor

By providing an excellent service, we increase the number and quality of candidates recommended to us by our current customers. 23% of the Group's placements are a result of referrals from within our network. It is an effective way to source niche or scarce skills quickly, and provides our clients with staff often unavailable through other agencies.

An integral part of our focus on candidates is that we have fostered a corporate culture on building long-term, sustainable relationships with clients and candidates on an equal footing. Despite the current challenging market conditions, our culture has enabled the Group to continue to grow.

BUSINESS REVIEW

Chairman's Statement

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 Performance

The Board is pleased to report a strong performance by the Group, with both net fee income (NFI) and pre-tax profit over 20% up compared with last year.

Total revenues were £371.4m, an increase of 23% on the previous year, NFI of £36.1m was up 21% and profit before tax of £8.0m was up 25%.

We were pleased to have achieved another record year for contractors on assignment, which at 31 July 2012 stood at 6,700, a rise of 12% on the previous year. Contract recruitment across engineering and technology sectors exceeded our initial expectations. Permanent recruitment continued to be sensitive to economic conditions and consequently some clients and candidates took longer to commit to new roles, which lengthened the time to hire.

The Group's growth stemmed from successfully taking advantage of our established presence in growth niche markets, strong client retention based on consistently first-class service delivery, and from the much improved performance by the professional services brands, which were created in the last 2 years.

Further information on our trading performance is provided in the Chief Financial Officer's Report on page 16.

Dividend

Reflecting the year's good performance, but mindful of prevailing economic conditions, the Board is pleased to recommend to shareholders that the final dividend is maintained at last year's level of 10.6 pence per share, which makes a total dividend for the year of 15.6 pence per share (2011: 15.6 pence) covered 1.6 times by earnings per share (2011: 1.3 times).

Expanding our sector diversification and geographical reach

Increasing the NFI we generate per employee

Building our conversion ratio of NFI to profit from operations

Enhancing internal systems performance and controls

Improving our staff retention levels

Maximising cross-selling opportunities across the Group

Extending our international reach

DESCRIPTION	2012 PROGRESS	2013 OBJECTIVES
Building on our early successes and looking at opportunities to grow into new sectors and additional strategic locations within the UK	› Further targeted recruitment into the London, St Albans and Aberdeen offices to consolidate the existing sector teams	› To scale up and make all existing core teams profitable
Focusing on developing existing client relationships and winning new business outside the engineering sector	› The diversification into new areas has diluted our NFI per head. However, we have made progress this year as the brands have established themselves	› To bring the NFI per head in the new brands up towards the levels of the established areas and to increase contract gross margins across the Group
As our investments mature, continuing the Group's ability to generate high levels of return from NFI SEE P.13	› We have seen a marginal increase in our NFI conversion from 23% to 24% in the year	› To increase NFI conversion ratio by managing the cost base more effectively
Deliver an even faster, more efficient and robust service to our clients and candidates	› Streamlined and aligned shared services so they meet business unit needs more efficiently and effectively	› Shared services substantially reviewed, in readiness to grow Group businesses without commensurate extra head count
Continuing to look at staff engagement and providing career opportunities This is a key factor in determining how fast the Group can grow	› Total staff turnover reduced from 30% in 2011 to 23% in 2012	› To reduce total staff turnover further › To review our internal recruitment selection process to focus on employing the right people who will stay and develop with the business
Utilising the increasingly varied client base created with our expanding brands SEE P.15	› Enhanced our Links programme to create greater focus on a select list of key clients and opportunities › We have seen a threefold increase in the number of internal delivery teams invoicing Links clients compared with the previous year	› Continue mapping the structure of key clients and the services we are able to provide › Increase the amount of business we generate from our Links clients
Developing a structured rollout of international opportunities SEE P.11	› Repositioned our German business as an engineering consultancy › Placed candidates in 25 different countries in the year › Signed agreement in June 2012 with strategic partner to supply international candidates to Chinese aerospace project	› Apply experience from Germany to potential operations in additional countries › Optimise our new supply route into China through our strategic partnership › Ensure that our existing clients are aware of our international capabilities to support their overseas projects

BUSINESS REVIEW

Chairman's Statement continued

People

The Group has spent the last 2 years creating its new brands around the recruitment of experienced staff. With the brands now established and management in place, resourcing in these areas will return to our traditional graduate recruitment programme.

We have a strong tradition of developing graduate employees who are mentored by senior colleagues, and have clear career paths that will encourage them to develop within the Group.

As a people business, we work hard to offer our employees an enjoyable and stimulating workplace, which the Board recognises is important when having to remain flexible to a wider marketplace that demands constant innovation and the ability to respond quickly to secure opportunities.

The Board wishes to pay tribute to all our staff and to our contractors for their continued hard work and dedication.

We were especially pleased to be placed 25th in the 2012 Sunday Times Best Companies to Work For survey. This is an award which is entirely based upon the feedback of our staff and reflects the high importance we place upon employee engagement.

Board and Corporate Governance

During the year Richard Bradford and Rudi Kindts joined the Board as Non-Executive Directors. We welcome them both and the contribution they are already making.

In September I was pleased to announce the appointment of Keith Lewis to the Board with effect from 5 September 2012. Keith has been with Matchtech for 19 years. He is currently responsible for Matchtech UK, the largest business within the Group.

Keith's elevation to the Board reflects the pivotal role that he plays. He has a long and consistent track record of success in driving forward our engineering business, and his executive experience and character will complement what is already a strong Board. On behalf of my colleagues, I congratulate him on his new role.

I would like to pay a special thanks to David Rees, a colleague of the highest integrity, who has worked with me for 20 years and contributed a substantial amount to the success of the business over that time. David stepped down as Group HR Director and left the Group in September. I wish him the very best for the future.

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

Strategy

The Group's traditional strength in segmenting the market and delivering highly skilled candidates to a largely blue chip engineering and technology client base gives us continuing competitive advantage.

From this strong platform we have identified many opportunities to continue to grow the business by finding new niches to supply and by further internationalising our sales efforts. Our strategy is to find and analyse opportunities, but only move forward where we can largely de-risk any new business propositions.

Diversifying into new sectors under the Professional Services brands of Barclay Meade and Alderwood has provided opportunities for further growth. In just 2 years both brands have made significant inroads into their markets and have quickly positioned themselves as experts in their fields. Professional Services' NFI was £5.7m, up 33% on the previous full year, representing 16% of the Group's NFI (2011: 14%).

Our international growth strategy is partly de-risked by supplying candidates to existing clients for their new international projects. This lowers the risks associated with opening offices in new countries, and has the additional benefit of further cementing relationships with our client base by helping meet their needs.

Of course, there are still challenges in finding the right candidates, almost all of whom are specialists. To increase our talent pool we have invested considerably in our technology, brands and websites. We plan to strengthen our online presence so that our websites are one of the first places where new candidates register when looking for new roles.

Outlook

Since our Pre-close Trading Update on 2 August 2012 trading has remained in line with the Board's expectations, with contractor numbers at record levels continuing to grow well, up 2% in the 2 months to 30 September 2012. Permanent recruitment continues to be sensitive to global market news and has started the year on a par with last year.

The Group delivered 21% growth in NFI in the year ended 31 July 2012. Our diversification strategy is continuing to bear fruit and we are seeing unprecedented demand for contract staff within the engineering markets with a record number of contractors on assignment.

The changes we have introduced over the past 2 years to the Group's structure, position us well for continued growth, particularly by supplying more contractors to UK clients who have global demand for their services or are working on large, multi-year engineering infrastructure projects in the UK and overseas markets.

Whilst we remain mindful that any deterioration in the global economy has the potential to impact on our business, we look forward with confidence to the year ahead.

George Materna
Chairman
4 October 2012

BUSINESS REVIEW

Chief Executive's Review

ADRIAN GUNN

CHIEF EXECUTIVE OFFICER

Continuing to make progress

Our vision

Our vision is to be a leading international recruitment group within the engineering and professional services sectors.

Our goal

Our goal is to 'always exceed the expectations of our customers and lead the recruitment sector through effective delivery and quality of service.'

Performance Overview

The Group has continued to benefit from the substantial reorganisation and investment for growth made over the past two years. In particular, our contract recruitment business, which accounts for around two thirds of net fee income (NFI), performed ahead of our expectations, throughout the year with growth being driven by strong demand for contractors in our traditional niches of engineering and technology and by the understandable attractions of flexible labour during an economic downturn.

This year we have enhanced the performance of the business through further investment in our professional services brands additional sales personnel, and faster more efficient IT systems. Our improvements make us well-placed to handle significantly higher volumes of business.

The Group has once again delivered a creditable performance with NFI growth of 21% on the previous year, contributing to a 25% increase in profit before tax. The mix between contract NFI and permanent fees remained the same as the previous year at 68%:32%.

Contractor numbers continue to increase. At 31 July 2012 there were 6,700 contractors, an increase of 12% on the previous year, and up 3% on 31 January 2012. Contract margins stabilised at 6.6% for the full year 2012.

The increased number of contractors reflected continuing strong demand for contract staff in our main sectors, driven mostly by existing clients working on global, multi-year programmes. Growth also stemmed from supplying contractors to major UK infrastructure projects in the marine, rail and water sectors.

Greatly assisted by the brands in professional services, permanent fees rose by 22% compared with the previous year, with average placement fees essentially stable throughout each quarter of 2012. However, we have seen clients extending the typical time to hire.

Business Plan

The Group's success has been built on a core strategy of attracting the best candidates (see pages 4 and 5). We believe that by finding strong candidates and making their interests central to our success, we will ensure that our clients are supplied with the right people, at the right time, for the right roles. By understanding the requirements of our clients, and by knowing our candidates thoroughly, we deliver by being able to scan, screen, shortlist and present our candidates more effectively and quicker than our competitors.

We have now completed the first year of our 5 year business plan and have made encouraging progress against our 7 Key Aims, set out below, which are absolutely integral to the business, and which provide the framework for delivering growth.

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

The Chairman in his statement reports on how we are progressing against each of these Key Aims, on pages 6 and 7.

CASE STUDY

Extending our international reach

As a result of working for many global businesses we have, in the last 12 months, supplied candidates to 25 different countries, filling roles for highly skilled engineering positions that demand some of the industry's most able and talented candidates.

Currently, our German operation in Stuttgart is the Group's only in-country overseas office. All other countries are served directly from the UK, via a network of well-established affiliate relationships.

Working from the UK has not restricted our ability to supply contractors to some major overseas programmes. For example, we have over 40 contractors placed in Kazakhstan on a major oil and gas project.

We have just started working in China supplying design engineers to the aerospace industry. We are working with a locally-based partner to fulfil this recent contract.

Looking ahead, we anticipate that in the medium term the Group's international expansion will be supplied largely from the UK, supplemented by a small number of additional in-country offices. Operating in Germany has taught us the importance of adapting our model to fit the country's requirements. We are currently exploring selective new locations for new country offices, focusing on fast-growing emerging markets and those where we can benefit from existing client relationships.

BUSINESS REVIEW

Chief Executive's Review continued

In the Chairman's statement, he announced that the Board has proposed the same level of dividend as last year. It is a testament to the financial strength of the business that has allowed us to maintain the same level of dividend since 2008 throughout the unstable economic times of the last few years.

KEY PERFORMANCE INDICATORS

Revenue

£m

2012	371.4
2011	301.8
2010	264.4
2009	269.6
2008	258.8

£371.4m

+23%

The Group's revenue for the year was £371.4m, up 23% (2011: £301.8m), growth which reflects the strength of our core engineering and technology markets within the UK economy. Our niche market focus and delivery capability allow us to continue to take market share.

Net fee income

£m

2012	36.1
2011	29.8
2010	26.2
2009	30.2
2008	33.2

£36.1m

+21%

The Group generated £36.1m of NFI for the year up 21% (2011: £29.8m) with strong performance across the Group. Contract NFI was up 21% to £24.6m (2011: £20.4m) and permanent fees rose by 22% to £11.5m (2011: £9.4m) fuelled by our investments in professional services.

Strategic Developments

In January 2012, the Group acquired certain assets of Xchanging Resources Services Limited (XRS), the contingency recruitment arm of Xchanging plc. The assets have quickly been integrated into the Group giving us greater access to its client base. This will increase our scope to expand into new Technology markets and helps us forge even closer links with one of our largest clients.

In June 2012, Matchtech met an important Group goal by signing its first framework agreement with a strategic partner in China. This contract is for design engineers for the rapidly expanding Chinese aerospace industry.

Management and Staff

I wish to thank staff and management for another year in which they have applied hard work, resourcefulness and creativity to produce a strong financial performance. It is a privilege to lead a business that is full of intelligent and talented individuals whom I believe serve our clients and candidates so well.

Our financial success is built on both the service ethos we cultivate and guard closely and from our culture which allies entrepreneurial flair to strong relationship management.

All of the Group's staff work towards one common set of values: Teamwork, Integrity, Enthusiasm, Innovation, and Fun. We are also united behind our 7 Key Aims, which provide an excellent framework for delivering further growth.

As a people business we also understand the importance of personal development. This is why we have continued to invest in developing our staff, including supporting them with considerably improved IT systems and shared services functions.

I would like to add my congratulations to those of the Chairman to Keith Lewis on his promotion to the Board.

Divisional Performance

Matchtech UK operates in 4 key sectors: Engineering, Built Environment, Information Systems & Technology and Science & Medical. This was a record year for Matchtech UK with unprecedented demand for contract staff in its markets, and a record number of contractors on assignment. Matchtech UK contractor numbers grew from 5,250 at the start of the year to 5,850 at the year end.

Engineering, the largest sector in Matchtech UK representing 44% of NFI, performed well again in 2012. NFI increased by 19% on the previous year, with strong demand across all areas, particularly in the Civil Aerospace, Automotive and Marine sectors.

Built Environment, grew contractor numbers by 8% to 1,400, and produced NFI growth of 9%, which came primarily from Water and Rail infrastructure projects.

Information Systems & Technology saw NFI grow by 26% on the previous full year. Growth was aided by the convergence of technology in Electronic Systems and Business Applications, which play to our strengths in niche service delivery.

Science & Medical grew steadily with NFI up 11% on 2011.

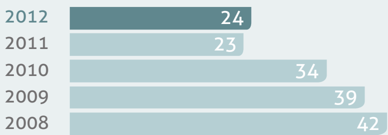
elemense, our Managed Services business, provides account management support for key clients, which indirectly generates revenue for the Group.

elemense plays an important role in client retention by ensuring key contracts are constantly monitored and Service Level Agreements are delivered. The client handling skills are essential in fostering strong client relationships and have provided many new business leads in permanent recruitment across the Group.

KEY PERFORMANCE INDICATORS

NFI Conversion

%



24%

+1%

NFI conversion in the year improved marginally to 24% (2011: 23%). The lack of progress was due to the full year effect of the previous years' increase in headcount which resulted in a 20% increase in overheads to £27.4m (2011: £22.9m).

Profit from operations

£m

£8.7m

+28%

Profit from operations increased by 28% to £8.7m (2011: £6.8m) showing a return to growth as we start to benefit from the diversification strategy and investments we have made.

CASE STUDY

Building our conversion ratio of NFI to profit from operations

Having now completed the initial investment phase to diversify, broaden and internationalise our services, one of our most important goals is to restore the Group's historically strong levels of NFI conversion to profit from operations. One way is by developing our staff to increase each individual's NFI.

This year we have also introduced a graduate training programme in Professional Services. We plan to turn new graduates into high flying professionals, ultimately able to produce some of the best NFI per head in our industry.

The changes we have made this year and last have increased the speed and functionality of our internal systems, allowing us to process candidates more efficiently. Our proprietary database and CRM technology, in which we have invested considerable time, gives us a strong competitive advantage in quickly processing new candidates and in managing client and candidate relationships. We will continue to enhance our systems via our in-house team of 8 full time technology developers.

Also, by using shared services more efficiently across the Group, we will continue to increase NFI and lift operating profit. Furthermore, we will constantly examine fixed overheads and seek to make more savings where applicable, again improving the conversion ratio of NFI to profit from operations.

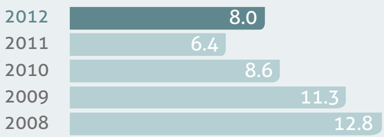
BUSINESS REVIEW

Chief Executive's Review continued

KEY PERFORMANCE INDICATORS

Profit before tax

£m



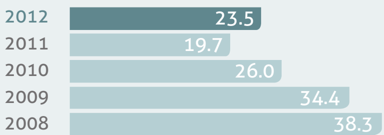
£8.0m

+25%

The Group generated profit before tax of £8.0m in the year up 25% (2011: £6.4m).

Diluted EPS

pence



23.5 pence

+19%

Diluted earnings per share for the year were 23.5 pence up 19% (2011: 19.7 pence) reflecting the increase in the Group's profits for the year.

Matchtech Germany, a business which we opened in 2009, targets the Aerospace, Automotive and Energy sectors. Trading in Germany continues to gain momentum with NFI up 50% to £0.9m, achieving some excellent business development wins, despite growth being restricted by the shortage of available candidates. The loss before tax increased to £0.4m (2011: £0.1m).

A key challenge, therefore, is to attract more qualified engineers for the German market, which is where our focus lies in the year ahead. As part of this effort we re-launched our German website to have the 'look and feel' of an engineering consultancy, which is a much better fit with the German labour leasing business model.

The **Professional Services** brands, Barclay Meade and Alderwood continue to make progress.

Barclay Meade focuses on Finance & Accountancy, Marketing, Procurement & Supply Chain, HR and Sales. Alderwood focuses on the Skills and Employability markets. Setting up these 2 new professional Services brands, and establishing them firmly in their marketplace, has been an important stepindiversifying the business.

Barclay Meade continues to develop well, and has established good brand recognition in the permanent SME market, and is working with approximately 300, mainly medium sized, client companies. We intend to scale up the business by recruiting more graduate consultants, who will be guided and mentored by more experienced colleagues, which will enable Barclay Meade to continue togrow market share, while improving itsoperating margins.

For its size and relative youth of the brand, Alderwood has exceeded expectations in the Welfare to Work market, working for 8 of the 12 main providers. It has also made good headway in the Work-Based Learning market, providing assessors for National Vocational Qualifications (NVQs). Looking forward, we expect to increase placements in both sectors.

New reporting structure

In order to improve stakeholders' understanding of the Group as it continues to diversify, we will be introducing a simplified reporting structure for the financial year to 31 July 2013. The business will be managed into 2 distinct segments, Engineering and Professional Services.

The Engineering segment will operate under the Matchtech brand and will be led by Keith Lewis. It will include Matchtech Germany and also elemense, the Managed Services business, which supports Matchtech's large framework agreements.

The Professional Services segment will comprise the existing Barclay Meade and Alderwood brands, along with the Information Systems & Technology sector, which was previously within Matchtech. This latter sector is more aligned with the Professional Services businesses where its profile bears a closer fit and opportunities for cross-selling will be greater.

An indicative representation of the financial performance this new structure can be found in Note 2 of the financial statements on page 56.

The clarity that this new structure provides will allow us to maximise opportunities across the Group and I look forward to giving shareholders an initial update on progress with the interim results in April 2013.

Adrian Gunn
Chief Executive Officer
4 October 2012

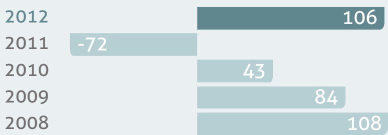
CASE STUDY

Maximising cross-selling opportunities across the Group

KEY PERFORMANCE INDICATORS

Operating cash conversion

%



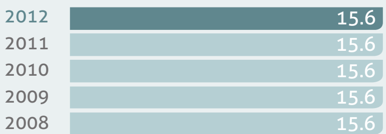
106%

+178%

Operating cash conversion was 106% (2011: -72%) for the year. Strong cash collection resulted in an improvement in debtor days which has generated cash despite increased working capital requirements.

Dividend per share

pence



15.6 pence

+00%

The Board is recommending to maintain an unchanged final dividend of 10.6 pence per share (2011: 10.6 pence) reflecting the Group's strong performance during the year. The total dividend for the year was 15.6 pence per share (2011: 15.6 pence) which included the interim dividend paid in June of 5 pence per share (2011: 5 pence).

This year we have enhanced our Links Programme to create greater focus on a select list of key clients and opportunities. First launched in 2009, the aim of Links is to bring together the teams within the Group to help increase and maximise our activity with key clients.

By mapping the structure of key clients and the services we were providing, we were able to identify clients with which we had solid trading but where there was also significant growth potential. In addition we were able to introduce new service offerings that were not previously provided.

In the last 12 months we have seen a threefold increase in the number of internal delivery teams invoicing Links clients compared with the previous year. In this financial year Links clients have delivered 55% of the Group's NFI growth.

Links provides a platform for collaboration across the Group. It places responsibility on management for the strategic development of each client, whilst bringing together consistent service delivery.

BUSINESS REVIEW

Chief Financial Officer's Report

TONY DYER

CHIEF FINANCIAL OFFICER

Adding value to our clients

Revenue and Net fee income (NFI)
The Group generated revenue of £371.4m, a rise of 23% on the previous year (2011: £301.8m), with NFI for the year of £36.1m, up 21% (2011: £29.8m).

Contractor numbers on assignment continued to grow, finishing the year on 6,700, up 12% on the starting position of 6,000. This growth in numbers contributed to an increase of 21% in contract NFI to £24.6m (2011: £20.4m).

Permanent recruitment fees of £11.5m were up 22% (2011: £9.4m). However, the average weekly fees billed each quarter essentially remained flat throughout the year. Information on the performance of Group businesses is provided in the Chief Executive Officer's Review on page 10.

Overheads and NFI Conversion
Overheads in the year increased by 20%, resulting in a slight increase in the NFI conversion rate to 24% (2011: 23%). We are in a position to start improving the NFI conversion rate going forwards (see the case study on page 13).

Profit and Earnings Per Share
Profit from operations was £8.7m, up 28% (2011: £6.8m). The increase of £1.9m from 2011 was mainly due to successfully taking advantage of our established presence in growth niche markets, strong client retention based on consistently first-class service delivery, and from the encouraging improved performance by the professional services brands, which we have created in the last 2 years.

The structure of the business and our July year end mean that there is a strong second half weighting to our profits, with the half year splits similar to last year, H1 39%; H2 61% (2011: H1 34%; H2 66%).

The Group generated profit before tax of £8.0m, up 25% (2011: £6.4m) and profit after tax of £5.7m (2011: £4.7m). The effective tax rate has increased to 28.5% (2011: 25.9%) due to higher non tax deductible professional fees and increased losses incurred by Matchtech Germany. Basic earnings per share rose by 20% to 24.34 pence (2011: 20.26 pence) and diluted earnings per share of 23.49 pence up 19% (2011: 19.74 pence).

Dividends
The Board proposes an unchanged final dividend for the year of 10.6 pence per share which, if approved by shareholders at the Annual General Meeting, to be held on Friday 16 November 2012, will be payable on 7 December 2012 to those shareholders registered on 9 November 2012.

When added to the interim dividend of 5 pence per share this makes an unchanged total dividend for the year of 15.6 pence per share, giving dividend cover of 1.6 times (2011: 1.3 times).

Dividends Paid

	Paid (pence per share)	Dividend 2012 £'000	2011 £'000
3 December 2010	10.6	–	2,477
21 June 2011	5.0	–	1,169
2 December 2011	10.6	**2,480**	–
19 June 2012	5.0	**1,172**	–
		3,652	3,646

Group Consolidated Statement of Financial Position
At 31 July 2012 the Group had net assets of £27.6m (2011: £25.1m) and had 23.4m fully paid ordinary shares in issue (2011: 23.4m).

Capital Expenditure and Tangible and Intangible Assets
Capital expenditure in the year was £1.4m (2011: £0.5m) of which £0.4m was for the acquisition of XRS in January 2012.

Tangible assets at 31 July 2012 of £1.8m (2011: £1.5m) consist of the Group's motor fleet, office equipment, leasehold improvements and computer equipment.

Intangible assets at 31 July 2012 of £0.5m (2011: £0.1m) consist of £0.3m being the amortised acquisition cost of XRS, which will be amortised over a 2 year period, and external software licences of £0.2m which are amortised over the expected life of the licence.

Working Capital, Cash Flow and Net Debt
Current debtor days at the year end were improved to 50 (31 July 2011: 53).

Net cash from operating activities was £6.5m (2011: outflow of £7.4m) with an operating cash conversion of 106% (2011: -72%).

Net debt at 31 July 2012 was £14.5m (31 January 2012: £11.0m, 31 July 2011: £16.0m). Net debt of £14.6m (2011: £16.0m) consisted of working capital facility £15.1m (2011: £16.3m), bank overdrafts £0.1m (2011: £0.2m) less cash £0.6m (2011: £0.5m) and capitalised finance costs £0.1m (2011 £nil).

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

In June 2012 the Group agreed an increase in its facilities with Barclays from £35m to £50m, on improved terms, 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 2012 the balance on the Confidential Invoice Discounting facility was £15.1m.

The Group has recorded strong profitable growth in the year. Having diversified the business with new brands in new markets, we are starting to see the results come through. Whilst there is still work to do to restore the Group's historically high NFI conversion, I believe we have the right people in place to deliver further progress in the coming years.

Critical Accounting Policies

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

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

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

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

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

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 £14.5m at the year end, comprising £15.1m debt less £0.6m 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% (2011: 14%) of total receivables balances at 31 July 2012.

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
4 October 2012

BUSINESS REVIEW

Principal Risks and Uncertainties

The Group has a number of potential risks and uncertainties which could have a material impact on its long-term performance. 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 and interest rate risk, which are covered under Group financial risk management in the Chief Financial Officer's Report on page 16, 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	• Just under 70% of the Group's net fee income (NFI) is recurring contract business across a broad range of sectors and clients • The Group's client base largely consists of businesses working on long-term projects • The engineering sector, because of its project-based nature, demands a flexible workforce which drives demand for contract labour
UK Public Sector expenditure Changes to public expenditure levels could have an impact on recruitment demand. This in turn could affect the Group's NFI that is ultimately derived from the UK public sector funding	The Group continually reviews its direct and indirect exposure to the Public Sector seeking to ensure a balanced and varied portfolio of Public Sector business	• The Group's Public Sector funded NFI is derived from many parts of the Public Sector, with few large concentrations of contractors working on single projects • Approximately three-quarters of the Group's Public Sector funded NFI is generated with outsourced providers working on long-term contracts • The majority of the Group's Public Sector funded NFI is derived from large and ongoing infrastructure projects
Dependence on key clients Too great an exposure to one or a few clients can lead to an over reliance on those clients. In the event that any major client ceases to procure services from the Group, or such a client does not pay for services provided by the Group in a timely manner, may have a material adverse effect on cash flow	The Group strives to maintain a broad spread of blue chip and Public Sector clients	• The Group has over 1,600 fee paying clients and is not over-reliant on one client • Top client 6% of Group NFI • Top 5 clients 18% of Group NFI • Top 10 clients 24% of Group NFI • Top 50 clients 46% of Group NFI
Competition The recruitment market is highly fragmented and competition is intense	The Board works under the ethos that whilst remaining competitive the business must retain its integrity, work in a professional manner and be compliant	• The Board and Executive regularly meet to discuss and agree strategy to minimise this risk • The Group 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 expanded overseas through the opening of the German office, the acquisition of XRS has given further access into the European marketplace • The Group has supplied candidates into 30 countries this year, and continues to explore client led opportunities across the world • Having diversified into the Professional Services market and opened 3 strategic locations in the UK, the Group continues to review the opportunities to expand further domestically

RISK AREA AND POTENTIAL IMPACT	GROUP STRATEGY	MITIGATION
MARKET		
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 • Search engine optimisation seeks to ensure that the Group's websites are one of the primary results returned from internet searches for jobs in our sectors, driving candidates directly to our database • All candidates are stored on our in-house database, meaning our consultants are only using one search tool, thereby improving the chance of us delivering the right candidate to the client first
FINANCIAL AND COMPLIANCE		
Financing A failure to secure adequate financing, whether to fund expansion, to finance the slowing of payment terms or finance a bad debt, would have a material effect on results. The level of contract margins, net fee income conversion, contract versus permanent balance and the speed of growth all affect the Groups ability to generate cash	The Group actively seeks to ensures it operates well within its funding facilities	• We maintain a strong balance sheet with low gearing. • Net debt as at 31 July 2012 was £14.6m. Banking facilities have been increased to £50m • We have long standing banking relationships and regular discussions to seek to ensure we have the banks' backing to fund strategic plans • We have procedures to check the creditworthiness of new clients with external agencies and regularly reviewed credit limits in place
Integrity of financial controls A failure to maintain sufficient financial controls may lead to reputational damage, financial loss or incorrect financial information used to manage the business	The Group seeks to ensure that it has good financial controls at all times	• The Group maintains a financial control framework which is reviewed and audited annually • The controls include the Board review of the Group's performance each month • An external audit is performed on the Financial Statements
Compliance and regulatory obligations Navigating the business through the large number of compliance and regulatory changes has become more complicated. Non-compliance places risk upon clients and the Group	The Group employs its own in-house compliance team 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	• 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
STRATEGIC AND OPERATIONAL		
Loss of key management and staff Failure to attract and retain key staff could lead to a lack of necessary expertise or continuity to execute strategy	The Group has a strong record of developing and retaining key staff, whilst seeking to add additional external talent	• The Group gives its staff a clear structured career path within Group businesses whilst maintaining flexibility by allowing talent to be utilised across the Group • By maintaining our niche focus we develop our business through empowering our talented staff to specialise and grow their own parts of the business • The Group maintains short lines of communication to senior managers and the Board
Technology systems including data security There is a risk that IT systems become out of date, external software suppliers become inflexible or that the business is over reliant on external systems and databases	The Group regularly reviews its software requirements undertaking benchmarking reviews of external comparator software	• The Group employs its own team of in-house developers to ensure its in-house recruitment software is focused on streamlining the recruitment process and providing high levels of service delivery • Reliance on external software and its providers is minimised down to specialist software only
Loss of business continuity Operating from one site can lead to a risk from loss of business continuity	The Group regularly reviews its business continuity and has a dedicated Business Continuity Manager	• The Group's business continuity strategy includes a highly resilient infrastructure within the Group's 3 building major site in Fareham, Hampshire • The Group has also contracted a further Disaster Recovery facility where our staff would relocate to in the event of a major disaster

BUSINESS REVIEW

Operating Review

Growing: Industry specialism reaps benefits

On the back of the strong demand we grew contractor numbers by 12% driving contract net fee income (NFI) up 20% to £20.7m. Having, over the last few years, witnessed reduced contract margins through client supplier rationalisation, this year we saw a stabilisation and in certain sectors opportunities to increase our margins. Contract gross margins for the year were 6.5%, essentially the same as the 6.6% generated in 2011.

We placed 2% more candidates into permanent roles, growing permanent fees by 13% to £6.9m.

Engineering Sector
The largest sector within Matchtech grew NFI by 19%.

Matchtech: Matchtech delivered another strong performance this year. Many sectors that we supply into, 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.

NFI split

2012
£27.6m
75% £20.7m
25% £6.9m

2011
£23.4m
74% £17.3m
26% £6.1m

Contract NFI
Permanent fees

Marine
The Naval shipyards and defence suppliers continued to experience a peak in the demand for shipbuilding design, engineering and build personnel, predominantly on the Queen Elizabeth Class aircraft carrier project. Such demand is expected to continue as further projects, including Type 26 and the Successor Submarine project, come on stream.

The commercial and leisure marine markets, which have been adversely affected in recent years, showed positive signs of recovery and growth.

Automotive
The UK car industry's exposure to Asian and North American export markets, from a design and manufacturing perspective, has fuelled demand for our clients' products, which in turn has drawn inward investment into UK product development and increased our clients' requirement for flexible skilled labour.

Aerospace
The UK's aerospace industry continued to grow as a result of continued investment in advanced technologies, materials and manufacturing techniques. We have been successfully working with our clients in developing innovative ways of meeting their recruitment needs and overcoming the sectors skills shortages. We continue to support aircraft projects including the A350, A320, C-series, EH101 and AW159 F-Lynx Wildcat programmes.

Energy
Our focus has remained within the oil and gas and renewable energy markets where we have continued to grow our presence. Through having a strategically placed office in Aberdeen, we have been able to further our client relationships and accelerate growth. The high oil price in the last year has resulted in the oil and gas industry continuing to be busy and it is expected to remain so.

Built Environment Sector
The growth in NFI of 9% in the built environment sector was driven mainly from the utilities sector with the continuation of the Asset Management Programme (AMP5) in the water industry where, with the planning phase of AMP6 expected to shortly commence, we expect to continue to have high levels of demand.

We also saw growth in highways, traffic and planning, primarily driven by Public Sector expenditure in money through the Highways Agency and Local Authority clients.

We have grown our business in the rail industry on the back of both new build (Crossrail) and refurbishment/maintenance projects, where the demand for discipline engineers remains high.

We also continued to have success in the nuclear defence and the power transmission and distribution sectors.

Information Systems and Technology Sector
We experienced strong demand for IT candidates across the Group's expanding client base. Our ability to source niche technology candidates as a result of our skill set and industry specialism has fuelled growth of 26% in NFI.

We have continued to diversify into new niche areas and have made good progress in IT security and cyber security, alongside capitalising on clients' R&D technology investment which has remained high.

Science and Medical Sector
Despite a number of key staff changes in the year this sector still delivered 11% growth in NFI as a result of a significant amount of business development activity throughout the pharmaceutical and biotechnology, food and drink, medical device and medical industries.

elemense

Our Managed Service Provider has continued to support some of the Group's major framework contracts through account management support and bespoke client services. The accounts that elemense manages generated £65.2m of revenue across the Group.

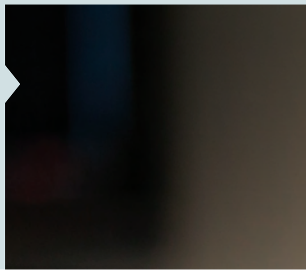
elemense benefits from the historic strength of Matchtech Group within the engineering market for lead generation and delivery capability, but also from its ability to act independently of the Group as and when required.

This year elemense generated over £0.5m of NFI fulfilling client requirements that fall outside of the Group's core capabilities; requirements that would otherwise have gone outside the Group.

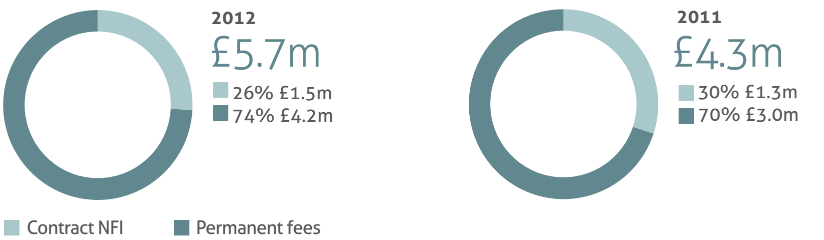
BUSINESS REVIEW

Operating Review continued

Professional Services: Both brands have continued to develop well with NFI up 33% on the previous year. The average fee per placement increased 7% to £4,700 (2011: £4,400).



NFI split



Barclay Meade

In its second year of trading, the Barclay Meade brand continued to develop, delivering similar growth to that in year one. NFI was up 27% compared with the previous year.

As the brand has established itself, Barclay Meade has become a more familiar name in the market and this, along with the new consultants becoming more established with the Group's culture, has allowed the business to take market share in challenging and highly competitive economic conditions.

Our strategic regional offices have provided a strong foundation. The Aberdeen office was established to leverage our strong Group relationships in the oil and gas sector. Our St Albans office serves the SME market in the Northern Home Counties. At the Group's head office in Whiteley, the team continues to focus on maximising opportunities from within the Group brands across the South Coast.

Our London office has taken longer to establish itself than intended, but is now working with a range of FTSE companies and household brands throughout London. A strong culture of cross-selling across the office has been critical to this success.

Overall, we have now established a repeat client base of SME clients through effective cross-selling across the full ranges of specialist functions; Finance and Accounting, Procurement, Supply Chain, HR, Sales, and Marketing.

As with any developing new business, recruiting and retaining the right people is challenging. We have not always been able to identify the right talent to match our established culture. We are now confident we have the right, experienced management team in place, along with a strong culture of mentoring and development.

This will enable us to retain our core talent, whilst identifying the next generation of consultants to maintain the high levels of growth.

This coming year we aim to further invest in our core specialist areas, aiming to take further market share without the need to expand into new locations.

Alderwood

The Alderwood brand has developed strongly in the year on the back of continued government investment in skills initiatives to support the long-term unemployed. NFI generated in the year of £1.0m was up 67% (2011: £0.6m).

Alderwood is now a recognised brand and a leading provider within the Welfare to Work sector. It has also cemented its position as the market leader within the Work-Based Learning market. This has been achieved through a mixture of first class service delivery, strong account management and extensive networking and sector awareness.

Our quarterly client dinners, hosted by Alderwood Non-Executive Director, Lord Jim Knight, have proved to be both popular and highly successful. As a result, our client portfolio has evolved to encompass a wider range of organisations from small, family owned training companies to large, national framework providers.

We will continue focusing on our core areas of strength whilst further developing our client services with the aim of providing a more complete recruitment solution.

Diversifying:
Creating a genuine partnering approach

BUSINESS REVIEW

Human Resources Report

The provision of effective and consultative recruitment services relies on the continuity and development of mutually beneficial business relationships. This same principle underpins the relationship between a business and its own people. Making Matchtech a great place to work is not just a desirable objective – it is central to our shareholder proposition.

Adding value: Enhancing our capabilities

STRATEGIC OBJECTIVES

With the future success of the Group intrinsically based on the performance of our staff we aim to:

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

Overview

We are a vibrant organisation with strong values and this is why we continue to develop strong client relationships and candidate loyalty.

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

Staff Numbers and Attrition

Total staff numbers at 31 July 2012 were 381 (31 July 2011: 350). Sales force headcount has risen from 266 to 291. This increase reflects our investment in both the new professional services brands along with additional headcount in Matchtech UK where activity levels have increased over the year.

Group attrition for the year was down to 23% (2011: 30%), a decrease that reflects the success of the new brands in becoming established.

Recruitment

The need to attract and recruit high quality staff for the expanding Group is paramount. Our focus this year will be on enhancing our recruitment search and selection processes. One of the most effective ways of reducing staff attrition is to ensure that we recruit the right people in the first place.

Engagement

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

We conduct regular staff surveys, gaining useful feedback which helps us to shape our people strategies.

This was reflected in the Group being ranked 25th Best Company to Work For 2012 by the Sunday Times.

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

Development

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

By placing continued and significant emphasis on developing our staff skills and our continued investment in training, we have expanded our in-house learning and development capabilities this year. We have also made further investment in our Graduate Training Programme to meet future demand for sales staff.

By enhancing our leadership training across the business we aim to ensure that all management staff have the required competency to manage and develop their own staff to a high level. At the same time we are coaching our senior management team to aid their strategic thinking.

Diversity

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

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

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

Although currently there are no women on the Board, women account for 17% of management and 40% of all employees.

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

External Community

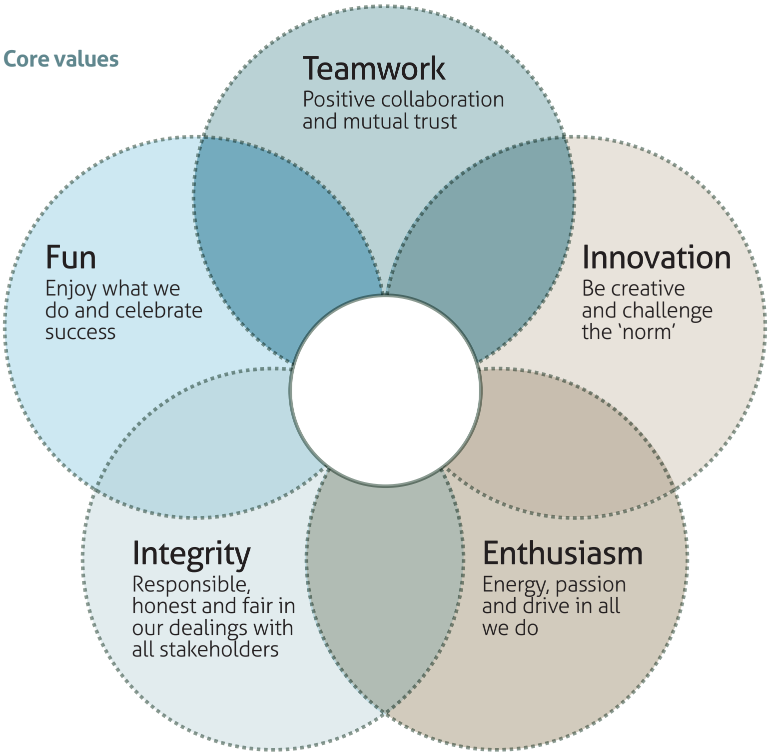
The Group recognises the importance of its links with the communities in which it operates and with the increasing needs of staff to feel their employers are engaged in positive action.

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

BUSINESS REVIEW

Human Resources Report continued

Core values



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

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

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

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

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

In March 2012 the Group joined the charity Business in the Community. Following the initial induction and training periods we are working with our dedicated account manager to identify areas where the business and our staff can make a difference.

Ensuring excellent employee engagement

BUSINESS REVIEW

Board of Directors

George Materna (59)
Non-Executive Chairman
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. George is a Fellow of both the Institute of Recruitment Professionals and the Chartered Institute of Personnel and Development.

Adrian Gunn (47)
Chief Executive Officer
Adrian joined the Group in 1988 as a recruitment consultant and was appointed a Divisional Director in 1998. He was appointed to the Board in 2004 as Business Development Director and Group Sales Director in 2005. Adrian took over as Chief Executive Officer in 2007 and heads the Executive Team.

Tony Dyer (43)
Chief Financial Officer
Tony is a Fellow of the Chartered Institute of Management Accountants. After qualifying in 1995 he joined the Group in 1996. Following a period as Management Accountant and Financial Controller, he was appointed to the Board in 2004.

Andy White (56)
Non-Executive Deputy Chairman
Andy is a Chartered Engineer, a Fellow of the Royal Institute of Naval Architects and a member of the Royal Aeronautical Society. He formed Matchtech Engineering with George Materna in 1990.

Ric Piper (60)
Non-Executive Director
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. He was Group Finance Director of WS Atkins from 1993 to 2002. Since 2003 he has been involved at Board level and has advised on the growth and development of 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. He has been a member of the Board since 2006.

Stephen Burke (52)
Non-Executive Director
Stephen has over 25 years' experience in the recruitment industry having joined Michael Page in 1981 after graduating from Durham University. He was appointed as a Director of Michael Page International in 1988 with responsibility for development of overseas businesses. He returned to the UK in 1996 and held 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. Stephen was appointed as Chief Executive Officer of Healthcare Locums plc in May 2011. He has been a member of the Board since 2006.

Richard Bradford (49)
Non-Executive Director
Richard has a background in solutions and services businesses. He was Chief Executive of AIM-listed Carlisle Group from 1997 to 2008, up to and including the merger to create Impellam Group, and was previously Chief Executive of LPM Group, a private equity backed mid-market group of facilities management investments. He is currently Chief Executive of UK-based InHealth Group, a leading provider of diagnostics and imaging services. Richard joined the Board on 3 August 2011.

Keith Lewis (46)
Managing Director, Matchtech UK (appointed 5 September 2012)
Keith is the Managing Director of Matchtech UK and is responsible for all of our UK operations across the Engineering, Science and Medical, Built Environment and Technology sectors. Keith, a Fellow of the Institute of Recruitment Professionals (FIRP), joined us in 1993 as a Senior Consultant, before progressing to his current position. Keith is also on the Steering Committee for the Engineering and Technical sector at the Recruitment and Employment Confederation (REC).

Rudi Kindts (55)
Non-Executive Director
Rudi is a Belgian national with 25 years' experience in transnational Human Resources Management. 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. Rudi is currently Associate with Criticaleye – The Network Of Leaders and Executive Mentor at Merryck and Co. He collaborates with The Henley Centre for HR Excellence on a freelance basis and is Associate Consultant at Duke Corporate Education. He is a member of the Advisory Board of Thirsty Horses Ltd. Rudi joined the Board on 1 March 2012.

CORPORATE GOVERNANCE

Directors' Report

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 (Note 14 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 22 to the financial statements.

Results and Dividends
Information on the results and dividends is provided in the Chief Financial Officer's Report on page 16.

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 (MD Matchtech) (appointed 5 September 2012)

Non-Executive Directors
George Materna (Chairman)
Andy White (Deputy Chairman)
Stephen Burke
Ric Piper
Richard Bradford (appointed 3 August 2011)
Rudi Kindts (appointed 1 March 2012)

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

Under the Company's Articles of Association all Directors must retire at the first Annual General Meeting (AGM) following their appointment by the Board and may offer themselves for election by shareholders. Rudi Kindts and Keith Lewis, following their appointment by the Board as Directors from 1 March 2012 and 5 September 2012 respectively, will stand for election at the 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 Memorandum and Articles of Association and any directions given by a special resolution of the shareholders. Specific powers are detailed in the Company's Articles of Association, including the power to issue and buy back shares, along with the rules for the appointment and removal of Directors.

The Directors and their Interests in Shares in the Group
The Directors of the Company, who served during the year, and their interests in shares and share options of the Company are shown in the Directors' Remuneration Report.

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

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

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

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

In accordance with the Company's Articles of Association, Directors can be appointed or removed by the Board or by shareholders in a general meeting. Subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of the shareholders, the Board may exercise all the powers of the Company and may delegate authorities to committees and management as it sees fit. Details of the main committees of the Board are contained in the Corporate Governance Report (pages 34 to 37).

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 18 and 19.

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	33.60
Octopus Investments Limited	11.08
AXA Framlington	8.85
Paul Raine	7.74
Andrew White	4.66
British Steel Pension Fund	4.11

Corporate Governance
The Corporate Governance Report is set out on pages 34 to 37 and is incorporated into this report by reference.

Corporate Responsibility
The Board recognises its employment, environmental and health and safety responsibilities. It devotes appropriate resources towards monitoring and improving compliance with existing standards.

The Executive Directors have responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

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

Anti-Bribery High Level Commitment Statement
Matchtech Group plc is a leading engineering, professional and outsourcing recruitment group with almost 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 and society through a number of charitable activities. During the year the Group made charitable donations of £25,000 (2011: £17,000).

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 page 24.

Since the end of the year there have been changes to the structure of the Executive Management Team. Keith Lewis has been appointed to the Board and Nigel Lynn, Managing Director of Barclay Meade and Alderwood, Peter Collis, Managing Director of elemense and David Rees, Group HR Director have left the Group.

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

Employees are encouraged to train and develop their careers.

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

The Group has a culture that encourages share participation at all levels. At 31 July 2012 approximately 48% 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 49% of staff eligible to participate, and the SIP is open to all staff. The Group also has a number of share options yet to be exercised from its Enterprise Management Incentive Scheme (EMI).

CORPORATE GOVERNANCE

Directors' Report continued

Policy on the Payment of Creditors

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

No one supplier arrangement is considered to be essential to the business of the Group. The Group had 9 creditor days outstanding at 31 July 2012 (2011: 9 days), based on the average daily cost of sales and invoicing during the year.

The Company, as a holding company, did not have any amounts owing to trade creditors as at 31 July 2012 (2011: £nil).

Health and Safety

The Group is committed to providing for the health, safety and welfare of all its employees and has established an Occupational Health 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, it has a robust business continuity strategy and has built a highly resilient infrastructure. It has a further disaster recovery facility where our staff would relocate to in the event of a major disaster.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with 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.

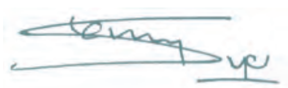
As with all business forecasts, the Directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

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

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

Registered number: 04426322

Approved by the Board and signed on its behalf by:



Tony Dyer
Chief Financial Officer
4 October 2012

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.

CORPORATE GOVERNANCE

Corporate Governance Report

LETTER FROM THE CHAIRMAN

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, I believe that Matchtech has followed the same principles of governance since I founded the business almost 30 years ago.

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

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

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

Responding to Increasing Scale and Complexity

The Group has increased significantly in scale. Compared with 5 years ago revenue is over 4 times higher and compared with 10 years ago it is up nearly 500%. In recent years we have seen further complexity with the introduction of a multi-brand strategy and operations outside the UK and the first acquisition ever made by Matchtech.

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 a Delegation of Authority which is appropriate for its current needs and is updated as the business changes and grows.

We have focused on ensuring that the Group Executive is aware of and complies with the Board's approach, as a fundamental part of the Group's culture and risk management. Where necessary, we have adapted the way in which the Board and Committees of the Board work, seeking to ensure there is effective review and approval of management's proposals and review of operational performance.

Succession Planning

For a number of years the Board's membership remained unchanged. I believe we have a well-matched team by experience and temperament.

During the year I am pleased that we were able to strengthen our team by making 2 Non-Executive appointments to the Board, namely Richard Bradford in August 2011 and Rudi Kindts in March 2012. Both have made effective contributions. Since the year end we have also appointed Keith Lewis to the Board as an Executive Director with effect from 5 September 2012.

From our experiences as a team, we all recognise the importance of diversity, of perspective, experience, thought, gender, ethnicity and nationality. We will be giving this high priority in the next stage of our succession planning, including in senior management appointments.

Best Practice

We have continued with a performance review for each Director, which I undertake each year.

Furthermore, in 2012 the Deputy Chairman undertook a similar review of me in my role as Chairman. This will be undertaken annually.

The Audit Committee was evaluated for the first time, with a report for the Board prepared by the Group's auditor.

George Materna
Chairman
4 October 2012

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 in September 2010, as far as applicable.

Board's Management Objectives

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

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

Effective Management
The Board has the appropriate composition and skills mix which are regularly reviewed and it has collective responsibility that requires all Directors to be involved in the process of arriving at significant decisions. The Board is provided with regular appropriate management and financial information on which to constructively challenge recommendations made to it.

Ethical Management
Behaving ethically, both in the Group's decision making and through the actions of our employees, is a must for the Group. Our continued success depends on earning, keeping the trust of and preserving our reputation in the eyes of those we deal with – including clients, contractors, employees, business partners and the broader community.

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 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

Corporate Governance Report continued

	Board Meetings		Audit Committee		Remuneration Committee		Nominations Committee		AGM	
Attendance	Maximum	Actual	Maximum	Actual	Maximum	Actual	Maximum	Actual	Maximum	Actual
George Materna	14	14	–	–	–	–	2	2	1	1
Adrian Gunn	14	13	–	–	–	–	–	–	1	1
Tony Dyer	14	13	–	–	–	–	–	–	1	1
Ric Piper	14	14	6	6	7	7	2	2	1	1
Stephen Burke	14	12	6	5	7	6	2	1	1	1
Andy White	14	13	–	–	–	–	–	–	1	1
Richard Bradford	14	14	–	–	–	–	–	–	1	1
Rudi Kindts	7	7	–	–	5	5	–	–	–	–

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 2012.

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 Code, which has applied to fully listed companies since 1 April 2011, the Group has voluntarily chosen that all Directors will retire at the 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 each of the last 2 years the Chairman undertook performance assessments with each Director. These will be undertaken each year.

In the year to 31 July 2012 the Deputy Chairman undertook a performance assessment of the Chairman. This will be undertaken annually.

The Board is satisfied with the current balance between Executive and Non-Executive Directors, which allows it to exercise objectivity in decision making and proper control of the Group's business. The Board does recognise that the composition of the Board needs to be kept under regular review.

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 3 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 the Nominations Committee and of the Remuneration Committee were reviewed in 2012. The Terms of Reference of the Audit Committee, which were last reviewed in September 2011, will be reviewed in the coming 12 months. 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 on pages 38 and 39.

Remuneration Committee

The responsibilities and operation of the Remuneration Committee are described in the Directors' Remuneration Report on pages 40 to 44.

Nominations Committee

Nominations Committee	Key Responsibilities
George Materna Chairman (Group Non-Executive Chairman) **Richard Bradford** (Independent Non-Executive Director) **Rudi Kindts** (Independent Non-Executive Director)	• 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

Stephen Burke and Ric Piper stood down from the Nominations Committee on 31 July 2012.

Richard Bradford and Rudi Kindts were appointed to the Committee on that date.

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. There is currently no Senior Independent Director, although there is a Deputy Chairman. The Board will review annually the need for a Senior Independent Director.

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

- The system of internal financial and operational controls is designed to meet the Group's particular needs and aims, to facilitate effective and efficient operations, to safeguard the Group's assets, ensure proper accounting records are maintained, and ensure that the financial information used within the business and for publication is reliable
- Such a system of internal control can only be designed to manage, rather than eliminate risk of failure to achieve business objectives, and provide reasonable, but not absolute, assurance against material misstatement and loss
- The Board confirms that there is a continuing process for identifying, evaluating and managing the risks faced by the Group, with further improvements planned for the current financial year
- The Audit Committee and the Board review, at least annually, whether an internal audit function is required. Some initial internal audit work 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 on pages 38 and 39.

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.

CORPORATE GOVERNANCE

Audit Committee's Report

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

Audit Committee	Key Responsibilities
Ric Piper Chairman 2006 to date (Independent Non-Executive Director) **Stephen Burke** Member 2006 to date (Independent Non-Executive Director)	• 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 re-appointment of the Group's independent external auditors • A review of 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 6 times during the year. The external auditor attended all 6 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 2011 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 2013.

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. Certain specialist internal audit work was undertaken by an external organisation
- The Committee expects to give 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 independent auditor provides the following services:

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

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

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

The Audit Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in Note 3 to the financial statements. The Committee concluded that the level of non-audit fees, which represent 31% 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.

Independent 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.

The Board and the Audit Committee will be working 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
4 October 2012

CORPORATE GOVERNANCE

Directors' Remuneration Report

The Group has a Remuneration Committee which is responsible, on behalf of the Board, for developing remuneration policy. As Matchtech Group plc is an AIM-listed company rather than a fully listed company, it is not required to disclose all the information in the Remuneration Committee Report, but the Board has chosen to do so as a voluntary disclosure. As such, the Auditor is not required to and has not, except where indicated, audited the information included in the Remuneration Committee Report. The audited information meets the requirements of the changes to the AIM Rule 19, effective February 2010. The Company's statement on remuneration policy is set out together with details of the remuneration of each Director.

Membership and Scope of Remuneration Committee	Key Responsibilities
Stephen Burke Chairman (Independent Non-Executive Director) **Ric Piper** (Independent Non-Executive Director) **Rudi Kindts** Joined 29 March 2012 (Independent Non-Executive Director)	• Determining and agreeing with the Board the remuneration policy for the Chief Executive Officer, Chief Financial Officer, Chairman and senior executives • Approving the design of, and determining targets for, an annual performance-related pay scheme for the Executive Directors and senior executives • Reviewing the design of share incentive plans for approval by the Board and shareholders, and determining the annual award policy to Executive Directors and senior executives under existing plans • Within the terms of the agreed policy, determining the remainder of the remuneration packages (principally comprising salary and pension) for each Executive Director and senior executive • Reviewing and noting the remuneration trends across the Group

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

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 2012 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. During the year, the Committee instructed PricewaterhouseCoopers LLP to design and implement a Value Creation Plan (VCP) for the Executive Directors and senior management.

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

Remuneration Policy

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

It is the Group's policy that all Executive 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 are 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
Profit bonus percentage	0.50%	0.40%

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 during the year.

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

The baseline profit for this year was £6.4m.

Pension

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

During the year 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%
Other senior management		412,000	41.2%
Reserved for future allocations		177,000	17.7%

Included within other senior management are 145,000 units allocated to Keith Lewis, who was appointed a Director of the Company on 5 September 2012. The remaining 267,000 units are now reserved for future allocations following changes to senior management.

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 Company's final accounts 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 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. This will result in the first threshold price being 261.6 pence (218 pence increased by 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.

CORPORATE GOVERNANCE

Directors' Remuneration Report continued

Long Term Incentive Plan (LTIP)

The plc Executive Directors receive an annual grant of zero-priced share options. The grant for the year, made on 31 January 2012, (2012 LTIP) was 25,000 shares for the Chief Executive Officer and 16,000 shares for the Chief Financial Officer.

This award will be capable of release subject to the Director remaining employed until the expiry of the holding period date set out, and the satisfaction of the following performance targets.

Earnings Per Share (EPS) Growth

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

EPS targets	2011 grant		2012 grant	
Grant date	4 February 2011		31 January 2012	
Measurement period	FY 2013		FY 2014	
Baseline EPS	25.96 pence		19.74 pence	
Vesting				
Below minimum target	<37.46 pence	0% vesting	<10% +RPI growth pa	0% vesting
Minimum target	37.46 pence	25% vesting	10% +RPI growth pa	33% vesting
Between minimum and maximum	37.46 pence – 48.31 pence	straight-line vesting	Between 10% and 20% +RPI growth pa	straight-line vesting
Maximum target	>48.31 pence	100% vesting	>20% +RPI growth pa	100% vesting
Status	Deemed unlikely to vest			

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.

TSR targets	2011 grant	2012 grant
Comparator group	20 Companies	20 Companies
Comparator companies	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	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
Current status	Deemed unlikely to vest so TSR underpin not tested	TSR underpin tested
Upper quartile	–	18%
Median	–	3%
Lower quartile	–	(6%)
Matchtech group plc	–	(1%)
Ranking	N/A	Below Median

Deferred Share Bonus Plan (DSBP)

The Executive plc Directors receive an entitlement to a future grant of zero-priced share options based upon achieving a 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 2012, was 25,000 shares for the Chief Executive Officer and 16,000 shares for the Chief Financial Officer.

EPS targets	2012 grant	
Below minimum target	<29.0 pence	0% vesting
Minimum target	29.0 pence	25% vesting
Between minimum and maximum	29.0 pence – 31.2 pence	straight-line vesting
Maximum target	>31.2 pence	100% vesting

Diluted EPS for the year ending 31 July 2012 were 23.49 pence. Accordingly none of the Deferred Share Bonus Award will be granted as a zero priced share option.

Share Incentive Plan

During the year the Group operated a Share Incentive Plan (SIP) for Executive Directors and all staff called 'Match'.

Under the scheme, staff are entitled to buy shares in Matchtech Group plc out of pre-tax salary. They can invest up to a maximum of £125 per month or an annual lump sum of £1,500, which will be used to purchase Matchtech Group shares ('Invest shares').

The Group will award 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.

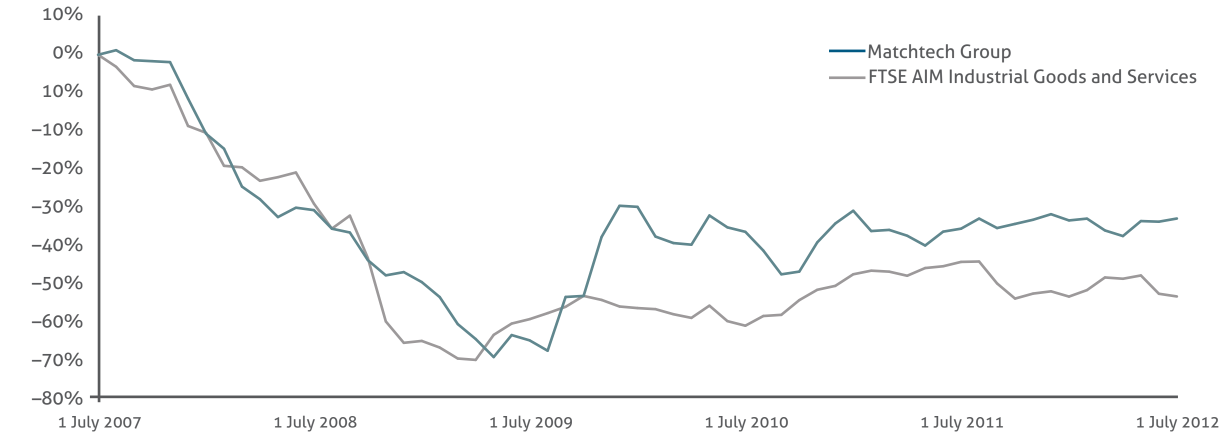
At 31 July 2012, the following shares were held in the scheme by the Executive Directors:

Director	Shares purchased under SIP	Shares awarded under matching element of SIP
Adrian Gunn	3,170	2,031
Tony Dyer	4,153	2,978
Total	**7,323**	**5,009**

TSR Performance

The graph below illustrates the TSR of the Group for period 1 July 2007 to 31 July 2012, 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 2007



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	2012 Total £'000	2011 Total £'000
George Materna	83	8	3	–	–	**94**	88
Adrian Gunn	158	50	17	40	49	**314**	249
Tony Dyer	125	43	10	32	39	**249**	199
Andrew White	42	–	2	–	–	**44**	41
Ric Piper	42	–	–	–	–	**42**	41
Stephen Burke	39	–	3	–	–	**42**	41
Richard Bradford[1]	42	–	–	–	–	**42**	–
Rudi Kindts[2]	17	–	–	–	–	**17**	–
Total	548	101	35	72	88	**844**	659

1 Appointed 3 August 2011.
2 Joined Board on 1 March 2012. Rudi Kindts was employed as a Board consultant for 6 months prior to 1 March 2012, in this period he earned £21,000.

CORPORATE GOVERNANCE

Directors' Remuneration Report continued

Directors' Interests in Shares and Share Options
The Directors' interests in the share capital of the Group at 31 July 2012 are shown below. There are no changes to this information as at the date of this report.

Shares

Director	Ordinary shares at 31 July 2011	Change in year	**Ordinary shares at 31 July 2012**	% of share capital
George Materna	7,877,405	–	**7,877,405**	33.6%
Adrian Gunn	410,217	8,799	**419,016**	1.8%
Tony Dyer	295,381	5,875	**301,256**	1.3%
Andrew White	1,093,032	–	**1,093,032**	4.7%

Share Options and Deferred Share Bonus Options

Director	As at 31 July 2011	Options granted	Options lapsed	**As at 31 July 2012**	Date at which exercisable	Expiry date
Adrian Gunn						
2010 LTIP – 18 January 2010	25,000	–	25,000	–	18 January 2013	18 January 2020
2011 LTIP – 4 February 2011	25,000	–	25,000	–	4 February 2014	4 February 2021
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
2012 DSBP – 31 January 2012	–	25,000	25,000	**–**	–	–
Tony Dyer						
2010 LTIP – 18 January 2010	16,000	–	16,000	–	18 January 2013	18 January 2020
2011 LTIP – 4 February 2011	16,000	–	16,000	–	4 February 2014	4 February 2021
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
2012 DSBP – 31 January 2012	–	16,000	16,000	**–**	–	–

The 2012 DSBP option entitlements were granted on 31 January 2012, however, all the entitlements lapsed in the year due to performance falling below the minimum threshold.

The IFRS 2 charge in the year for all LTIPs and deferred bonus option relating to the Directors was £7,000 (2011: £18,000) in respect of Adrian Gunn, and £5,000 (2011: £12,000) in respect of Tony Dyer.

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

On 31 July 2012, the closing market price of Matchtech Group plc ordinary shares was 209.5 pence. The highest and lowest prices of these shares during the year were 222.0 pence on 2 August 2011 and 191.5 pence on 4 April 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
4 October 2012

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

We have audited the financial statements of Matchtech Group plc for the year ended 31 July 2012 set out on pages 46 to 68. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

W Smith (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
Dukes Keep, March Lane
Southampton, Hampshire
SO14 3EX
4 October 2012

FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 31 July 2012

	Note	2012 £'000	2011 £'000
Revenue		**371,366**	301,806
Cost of sales		**(335,248)**	(272,048)
GROSS PROFIT	2	**36,118**	29,758
Administrative expenses		**(27,444)**	(22,939)
PROFIT FROM OPERATIONS	3	**8,674**	6,819
Finance income		**2**	30
Finance costs	5	**(711)**	(461)
PROFIT BEFORE TAX		**7,965**	6,388
Income tax expense	8	**(2,268)**	(1,654)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**5,697**	4,734

EARNINGS PER ORDINARY SHARE

	Note	2012 pence	2011 pence
Basic	9	**24.34**	20.26
Diluted	9	**23.49**	19.74

Statement of Comprehensive Income

for the year ended 31 July 2012

	2012 £'000	2011 £'000
Profit for the year	**5,697**	4,734
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	**74**	(28)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**74**	(28)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**5,771**	4,706

Statements of Changes in Equity
for the year ended 31 July 2012

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 2010	**233**	**3,098**	**224**	**466**	**18**	**19,633**	**23,672**
Profit for the year	–	–	–	–	–	4,734	4,734
Other comprehensive income	–	–	–	–	(28)	–	(28)
Total comprehensive income	–	–	–	–	(28)	4,734	4,706
Dividends paid in the year	–	–	–	–	–	(3,646)	(3,646)
Deferred tax movement re share options	–	–	–	–	–	5	5
IFRS2 charge	–	–	–	288	–	–	288
IFRS2 reserves transfer	–	–	–	25	–	(25)	–
Shares issued	1	28	–	–	–	–	29
Transactions with owners	1	28	–	313	–	(3,666)	(3,324)
At 31 July 2011	**234**	**3,126**	**224**	**779**	**(10)**	**20,701**	**25,054**
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**

FINANCIAL STATEMENTS

Statements of Changes in Equity continued

for the year ended 31 July 2012

b) Company

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2010	**233**	**3,098**	**466**	**5**	**3,802**
Profit and total comprehensive income for the year	–	–	–	4,532	4,532
Dividends paid in the year	–	–	–	(3,646)	(3,646)
IFRS 2 charge	–	–	288	–	288
IFRS 2 reserves transfer	–	–	25	(25)	–
Shares issued	1	28	–	–	29
Transactions with owners	1	28	313	(3,671)	(3,329)
At 31 July 2011	**234**	**3,126**	**779**	**866**	**5,005**
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**

Statements of Financial Position
for the year ended 31 July 2012

	Note	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
NON-CURRENT ASSETS					
Intangible assets	11	**498**	106	**–**	–
Property, plant and equipment	12	**1,832**	1,530	**–**	–
Investments	14	**–**	–	**1,458**	983
Deferred tax asset	13	**220**	188	**–**	–
Total Non-Current Assets		**2,550**	1,824	**1,458**	983
CURRENT ASSETS					
Trade and other receivables	15	**62,749**	56,452	**3,576**	3,878
Cash and cash equivalents		**626**	475	**147**	144
Total Current Assets		**63,375**	56,927	**3,723**	4,022
TOTAL ASSETS		**65,925**	58,751	**5,181**	5,005
NON-CURRENT LIABILITIES					
Provisions	17	**(278)**	–	**–**	–
Total Non-Current Liabilities		**(278)**	–	**–**	–
CURRENT LIABILITIES					
Trade and other payables	16	**(21,825)**	(16,577)	**–**	–
Current tax liability		**(1,074)**	(690)	**–**	–
Bank loans and overdrafts	22	**(15,100)**	(16,430)	**–**	–
Total Current Liabilities		**(37,999)**	(33,697)	**–**	–
TOTAL LIABILITIES		**(38,277)**	(33,697)	**–**	–
NET ASSETS		**27,648**	25,054	**5,181**	5,005
EQUITY					
Called-up equity share capital	20	**234**	234	**234**	234
Share premium account		**3,128**	3,126	**3,128**	3,126
Merger reserve		**224**	224	**–**	–
Share-based payment reserve		**885**	779	**885**	779
Translation of foreign operations		**64**	(10)	**–**	–
Retained earnings		**23,113**	20,701	**934**	866
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**27,648**	25,054	**5,181**	5,005

These financial statements were approved by the Board of Directors on 4 October 2012, and signed on their behalf by:

Tony Dyer
Chief Financial Officer

FINANCIAL STATEMENTS

Consolidated Cash Flow Statements

for the year ended 31 July 2012

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation	**5,697**	4,734	**3,250**	4,532
Adjustments for:				
Depreciation and amortisation	**702**	516	**–**	–
Loss on disposal of property, plant and equipment	**1**	8	**–**	–
Interest income	**(2)**	(30)	**(1)**	(1)
Interest expense	**711**	461	**–**	–
Taxation expense recognised in the income statement	**2,268**	1,654	**–**	–
(Increase)/decrease in trade and other receivables	**(6,223)**	(15,442)	**402**	(886)
Increase in trade and other payables	**5,248**	2,875	**–**	–
Increase in provisions	**278**	–	**–**	–
Share-based payment charge	**476**	288	**–**	–
Investment income	**–**	–	**(3,645)**	(4,815)
Cash generated from operations	**9,156**	(4,936)	**6**	(1,170)
Interest paid	**(703)**	(461)	**–**	–
Income taxes paid	**(1,916)**	(2,040)	**–**	–
NET CASH FROM OPERATING ACTIVITIES	**6,537**	(7,437)	**6**	(1,170)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(868)**	(484)	**–**	–
Purchase of intangible assets	**(575)**	(45)	**–**	–
Proceeds from sale of property, plant and equipment	**45**	107	**–**	–
Interest received	**2**	30	**2**	–
Dividend received	**–**	–	**3,645**	4,815
NET CASH USED IN INVESTING ACTIVITIES	**(1,396)**	(392)	**3,647**	4,815
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital	**4**	29	**2**	29
Payments of transactions costs relating to loans and borrowings	**(150)**	–	**–**	–
Dividend paid	**(3,652)**	(3,646)	**(3,652)**	(3,646)
NET CASH USED IN FINANCING	**(3,798)**	(3,617)	**(3,650)**	(3,617)
Effect of exchange rates on cash and cash equivalents	**(4)**	2	**–**	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,339**	(11,444)	**3**	28
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**(15,955)**	(4,511)	**144**	116
CASH AND CASH EQUIVALENTS AT END OF YEAR	**(14,616)**	(15,955)	**147**	144

	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
CASH AND CASH EQUIVALENTS				
Cash	**626**	475	**147**	144
Bank overdrafts	**(169)**	(172)	**–**	–
Working capital facility utilised	**(15,073)**	(16,258)	**–**	–
CASH AND CASH EQUIVALENTS CASH FLOWS STATEMENT	**(14,616)**	(15,955)	**147**	144

Notes
forming part of the financial statements

1. 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 (IFRS) as adopted by the European Union (EU) and which are effective at 31 July 2012.

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 2012 are:

IAS 24	Related party disclosures	1 January 2011

The adoption of the above standards has had no impact on the financial statements other than the presentational differences described. 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 1	Presentation of Items of Other Comprehensive Income	1 July 2012

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.

FINANCIAL STATEMENTS

Notes continued
forming part of the financial statements

1. The Group and Company Significant Accounting Policies continued

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

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

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

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

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

The 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.

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.

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.

FINANCIAL STATEMENTS

Notes continued
forming part of the financial statements

1. The Group and Company Significant Accounting Policies continued
Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

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

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

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

xxi. Significant Accounting Estimates and Judgements
Estimates and assumptions concerning the future and 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 draw-down of funds against this facility. This facility is recognised as a liability for the amount drawn.

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

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 15.

Share-Based Payments
The key assumptions used in estimating the fair values of options granted to employees under IFRS 2 are detailed under Note 20.

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
2012

All amounts in £'000	Engineering	Built Environment	Information Systems and Technology	Science and Medical	Total Matchtech UK	Germany	Professional Services	elemense	Group Total
Revenue	164,845	77,941	81,208	9,089	333,083	3,018	23,309	11,956	**371,366**
Gross profit	12,129	5,768	7,586	2,129	27,612	879	5,744	1,883	**36,118**
Profit/(loss) from operations	5,697	2,156	2,535	275	10,663	(410)	(1,361)	(218)	**8,674**
Finance cost, net	(303)	(142)	(150)	(17)	(612)	(33)	(43)	(21)	**(709)**
Profit/(loss) before tax	5,394	2,014	2,385	258	10,051	(443)	(1,404)	(239)	**7,965**
Depreciation and amortisation	129	92	231	52	504	2	137	59	**702**
Segment net assets	27,552	13,027	13,573	1,519	55,671	505	3,896	1,998	**62,070**
Unallocated net liabilities									**(34,422)**
Total net assets									**27,648**

2011

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

Professional Services includes Barclay Meade Limited and Alderwood Education Limited.

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

	United Kingdom		Germany		Total	
All amounts in £'000	**2012**	2011	**2012**	2011	**2012**	2011
Revenue	**368,348**	300,066	**3,018**	1,740	**371,366**	301,806
Gross profit	**35,239**	29,133	**879**	625	**36,118**	29,758
Operating profit	**9,084**	6,851	**(410)**	(32)	**8,674**	6,819
Finance cost, net	**(676)**	(403)	**(33)**	(28)	**(709)**	(431)
Profit before tax	**8,408**	6,448	**(443)**	(60)	**7,965**	6,388
Depreciation and amortisation	**700**	508	**2**	8	**702**	516
Non-current assets	**2,507**	1,815	**10**	9	**2,517**	1,824
Net current assets/(liabilities)	**25,882**	23,654	**(751)**	(424)	**25,131**	23,230
Total net assets	**28,389**	25,469	**(741)**	(415)	**27,648**	25,054

Revenue and 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 £4,298,000 (2011: £3,066,000).

FINANCIAL STATEMENTS

Notes continued
forming part of the financial statements

2. Segmental Information continued

Largest Customers
During the year revenues of £45,519,000 (2011: £35,598,000) were generated from sales to the Group's largest client and its business process outsourcer. The majority of this revenue is included in the Engineering segment.

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

Indicative Representation of Changes to Reporting Structure
From 1 August 2012 the reporting structure of the Group was changed to 2 main reporting segments, Engineering and Professional Services. Engineering will consist of Matchtech UK, excluding Information Systems and Technology, and elemense. Professional Services will include Information Systems and Technology, Barclay Meade and Alderwood.

The following disclosure is an indicative representation of the reported results as if the new structure had been implemented throughout the year 31 July 2012 and does not constitute segmental reporting as defined by IFRS 8.

2012

All amounts in £'000	Engineering	Professional Services	Group Total
Revenue	266,849	104,517	371,366
Gross profit	22,788	13,330	36,118
Profit from operations	7,500	1,174	8,674
Finance cost, 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

3. Profit from Operations

		2012 £'000	2011 £'000
Profit from operations is stated after charging/(crediting):			
Depreciation		**519**	466
Amortisation		**183**	50
Loss on disposal of property, plant and equipment		**1**	8
Auditor's remuneration	– fees payable for the audit of the Parent Company financial statements	**10**	10
	– fees payable for the audit of the subsidiary Company financial statements	**60**	40
	– non-audit services: taxation	**18**	13
	other services pursuant to legislation	**4**	–
Previous auditor's remuneration	– fees payable for the audit of the Parent Company financial statements	**–**	9
Operating lease costs:	– plant and machinery	**178**	105
	– land and buildings	**802**	700
Share-based payment charge		**476**	288
Net loss/(profit) on foreign currency translation		**164**	(32)
Acquisition costs		**35**	–
Legal and professional fees relating to the Value Creation Plan		**233**	–

4. Particulars of Employees

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

	2012 Number	2011 Number
Selling	**275**	248
Administration	**77**	73
Directors	**8**	6
Total	**360**	327

The aggregate payroll costs of the above were:

	2012 £'000	2011 £'000
Wages and salaries	**16,439**	13,782
Social security costs	**1,848**	1,598
Other pension costs	**1,073**	899
Total	**19,360**	16,279

Disclosure of the remuneration of key management personnel, as required by IAS 24, is detailed below. Disclosure of the remuneration of the statutory Directors is further detailed in the Directors' Remuneration Report on pages 43 and 44.

	2012 £'000	2011 £'000
Short-term employee benefits	**1,318**	1,056
Post employment benefits	**181**	115
Share-based payments	**13**	26
Total	**1,512**	1,197

5. Finance Costs

	2012 £'000	2011 £'000
Bank interest payable	**711**	461

6. Dividends

	2012 £'000	2011 £'000
Equity dividends paid during the year at 15.6 pence per share (2011: 15.6 pence)	**3,652**	3,646
Equity dividends proposed after the year end (not recognised as a liability) at 10.6 pence per share (2011: 10.6 pence)	**2,485**	2,479

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

7. Parent Company Profit

	2012 £'000	2011 £'000
The amount of profit dealt with in the accounts of the Company	**3,350**	4,532

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

		2012 £'000	2011 £'000
Current tax:	UK corporation tax	**2,311**	1,699
	Prior year (over)/under provision	**(8)**	19
		2,303	1,718
Deferred tax (note 13)		**(35)**	(64)
Income tax expense		**2,268**	1,654

UK corporation tax has been charged at 25.3% (2011: 27.3%).

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8. Income Tax continued

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

	2012 £'000	2011 £'000
Profit before tax	**7,965**	6,388
Profit before tax multiplied by the standard rate of corporation tax in the UK of 25.3% (2011: 27.3%)	**2,015**	1,744
Expenses not detuctable/(not chargeable) for tax purposes	**204**	(73)
Enhanced R&D tax relief	**(42)**	(49)
Adjustments to tax charge in respect of previous periods	**(8)**	19
Overseas losses not provided for	**99**	13
Total tax charge for period	**2,268**	1,654

Tax charge recognised directly in equity:

	2012 £'000	2011 £'000
Deferred tax recognised directly in equity	**(3)**	5
Total tax recognised directly in equity	**(3)**	5

Future Tax Rate Changes

The 2012 Budget on 21 March 2012 announced that the UK Corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2013) and 23% (effective from 1 April 2014) were substantively enacted on 26 March 2012 and 17 July 2012 respectively.

This will reduce the Group's future current tax charge and further reduce the deferred tax asset.

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:

	2012 £'000	2011 £'000
Profit after tax attributable to ordinary shareholders	**5,697**	4,734

	2012 '000s	2011 '000s
Weighted average number of ordinary shares in issue	**23,408**	23,370
Effect of dilutive potential ordinary shares	**845**	612
Total	**24,253**	23,982

		2012 pence	2011 pence
Earnings per ordinary share	– basic	**24.34**	20.26
	– diluted	**23.49**	19.74

10. Acquisition

The Group completed the purchase of certain business assets of Xchanging Resourcing Services Limited ('XRS'), the contingency recruitment arm of Xchanging plc, on 16 January 2012 for a total cash consideration of £400,000.

As part of the deal the Group secured an exclusive 2 year contract to January 2014 to supply contractors to Xchanging's business in the UK and the novation of existing XRS client contracts.

The acquisition had the following effect on the Group's assets and liabilities:

	£'000
Intangible assets	400
Net identifiable assets and liabilities	**400**
Consideration paid	400
Goodwill	–

Intangible assets have been recognised at fair value.

The Group incurred acquisition-related costs of £35,000 for external legal fees and due diligence costs. These costs have been recognised in administrative expenses in the Group's Consolidated Income Statement.

In the period between the acquisition and the year end the Group benefited from £4,600,000 of revenue from XRS, gross profit of £391,000 and profit after amortisation of intangibles of £48,000. If the acquisition had occured on 1 August 2011, mangement estimates that the Group would have benefited from revenue of £8,600,000, gross profit of £720,000 and profit after amortisation of intangibles of £90,000.

11. Intangible Assets

Group

		Software licences £'000	Other £'000	Total £'000
COST	At 1 August 2010	335	–	335
	Additions	45	–	45
	At 1 August 2011	380	–	380
	Additions	175		175
	Acquisitions (Note 10)	–	400	400
	At 31 July 2012	**555**	**400**	**955**
AMORTISATION	At 1 August 2010	224	–	224
	Charge for the year	50	–	50
	At 1 August 2011	274	–	274
	Charge for the year	67	116	183
	At 31 July 2012	**341**	**116**	**457**
NET BOOK VALUE	At 31 July 2011	106	–	106
	At 31 July 2012	**214**	**284**	**498**

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12. Property, Plant and Equipment

Group

		Motor vehicles £'000	Office equipment £'000	Leasehold improvements £'000	Computer equipment £'000	Total £'000
COST	At 1 August 2010	2,013	1,493	103	776	4,385
	Additions	204	58	140	82	484
	Disposals	(571)	–	–	–	(571)
	At 1 August 2011	1,646	1,551	243	858	4,298
	Additions	228	13	406	221	868
	Disposals	(183)	–	–	–	(183)
	At 31 July 2012	**1,691**	**1,564**	**649**	**1,079**	**4,983**
DEPRECIATION	At 1 August 2010	1,191	1,028	1	538	2,758
	Charge for the year	221	103	22	120	466
	Released on disposal	(456)	–	–	–	(456)
	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 31 July 2012	**1,016**	**1,244**	**117**	**774**	**3,151**
NET BOOK VALUE	At 31 July 2011	690	420	220	200	1,530
	At 31 July 2012	**675**	**320**	**531**	**305**	**1,832**

Included within leasehold improvement additions for the year is £228,000 relating to dilapidations provision (see Note 17).

There were no capital commitments as at 31 July 2012 or 31 July 2011.

13. Deferred Tax

Deferred tax is recognised on share-based payments, accelerated capital allowances and other temporary timing differences. Movements in the deferred tax asset is shown below:

	Group	
	2012 £'000	2011 £'000
At start of year	**188**	119
Recognised in income	**35**	64
Recognised in equity	**(3)**	5
At end of year	**220**	188

The rate of UK corporation tax applied to deferred tax calculations is 24% (2011: 25%).

14. Investments

	Company	
	2012 £'000	2011 £'000
Investment in Group companies at 1 August	**983**	695
Movement in investment in Group companies	**475**	288
Investment in Group companies at 31 July	**1,458**	983

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	38%	Non-trading
Matchtech Group UK Ltd	United Kingdom	Ordinary	99.998%	Provision of recruitment consultancy
Matchtech Engineering Ltd	United Kingdom	Ordinary	100%	Non-trading
Matchmaker Personnel Ltd	United Kingdom	Ordinary	100%	Non-trading
Barclay Meade Ltd	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Alderwood Education Ltd	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
elemense Ltd	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Matchtech GmbH	Germany	Ordinary	100%	Provision of recruitment consultancy
Matchtech BV	Netherlands	Ordinary	100%	Non-trading
Matchtech Engineering Inc	USA	Ordinary	100%	Provision of recruitment consultancy

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

During the year a reorganisation of the Group structure took place as part of the implementation of the Value Creation Plan whereby Matchtech Group (Holdings) Limited was included within the Group as a direct subsidiary of the Company. The share capital of Matchtech Group (Holdings) Limited is divided into A and B ordinary shares. The A shares represent 90% of the ordinary share capital and each share is entitled to 10 votes per share and are owned by Matchtech Group plc, the B shares represent 10% of the ordinary share capital and each share is entitled to 1 vote per share, the B shares are owned by Matchtech Group Management Company Limited, a company which is owned by Matchtech Group plc and senior management of the Group. The subsidiary companies owned by the Company, except Matchtech GmbH were transferred to Matchtech Group (Holdings) Limited as part of this reorganisation.

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.

15. Trade and Other Receivables

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade receivables	**62,070**	55,733	**–**	–
Amounts owed by Group companies	**–**	–	**3,576**	3,878
Other receivables	**70**	57	**–**	–
Prepayments	**609**	662	**–**	–
Total	**62,749**	56,452	**3,576**	3,878

The amount 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 49.6 days (2011: 52.9 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of debts.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £7,357,000 (2011: £7,561,000) which are past due at the reporting date for which the Group has not provided as the Directors do not believe there has been a significant change in credit quality and consider the amounts to be recoverable in full. The Group does not hold any collateral over these balances.

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

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

Ageing of past due but not impaired trade receivables:

	Group	
	2012 £'000	2011 £'000
0–30 days	**6,019**	5,977
30–60 days	**998**	925
60–90 days	**287**	345
90+ days	**53**	314
Total	**7,357**	7,561

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15. Trade and Other Receivables continued
Movement in the allowance for doubtful debts:

	Group 2012 £'000	Group 2011 £'000
Balance at the beginning of the year	**201**	348
Impairment losses recognised/(reversed)	**59**	(147)
Balance at the end of the year	**260**	201

Ageing of impaired trade receivables:

	Group 2012 £'000	Group 2011 £'000
Not past due at reporting date	**–**	–
0–30 days	**–**	–
30–60 days	**22**	15
60–90 days	**22**	19
90+ days	**216**	167
Total	**260**	201

16. Trade and Other Payables

	Group 2012 £'000	Group 2011 £'000
Trade payables	**149**	339
Taxation and Social Security	**5,863**	5,606
Contractor wages creditor	**13,308**	9,109
Accruals and deferred income	**2,189**	1,318
Other payables	**316**	205
Total	**21,825**	16,577

17. Provisions

	Group 2012 £'000	Group 2011 £'000
Balance at start of year	**–**	–
Transfer from Other Payables	**50**	–
Provisions made during the year	**228**	–
Balance at end of year	**278**	–
Non-current	**278**	–
Current	**–**	–
	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 5 offices held under lease arrangements that expire between August 2016 and June 2017.

18. 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	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade and other receivables – Loan and receivables	**62,140**	55,790	**3,476**	3,878
Cash and cash equivalents – Loan and receivables	**626**	475	**147**	144
Total	**62,766**	56,265	**3,623**	4,022

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

	Group	
	2012 £'000	2011 £'000
Current liabilities		
Borrowings – Financial liabilities recorded at amortised cost	**15,100**	16,430
Trade and other payables – Financial liabilities recorded at amortised cost	**15,961**	10,971
Total	**31,061**	27,401

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

The working capital facility is secured by way of an all assets debenture, dated 5 August 2002, which contains fixed and floating charges over the assets of Matchtech Group UK Limited. The facility held with Barclays Bank allows the Company to borrow up to 90% of its qualifying invoiced debtors up to a maximum of £50m. Interest is charged on borrowings at a rate of 2% over Barclays Bank base rate.

19. Commitments Under Operating Leases

At 31 July 2012 the Group had commitments to pay the following amounts under non-cancellable operating leases as set out below:

			Group	
			2012 £'000	2011 £'000
Land/buildings	Payments falling due:	within 1 year	**793**	820
		within 1 to 5 years	**2,818**	2,976
		after 5 years	**117**	320
Other	Payments falling due:	within 1 year	**150**	45
		within 1 to 5 years	**57**	174

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20. Share Capital
Authorised Share Capital

	Company 2012 £'000	Company 2011 £'000
40,000,000 ordinary shares of £0.01 each	**400**	400

Allotted, Called Up and Fully Paid:

	Company 2012 £'000	Company 2011 £'000
23,445,000 (2011: 23,387,000) ordinary shares of £0.01 each	**234**	234

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

Date	Ordinary shares issued	Share premium received pence per share	Consideration received £
At 1 August 2010	23,339,676		
04/08/2010	18,349	145	26,790
04/08/2010	440		4
01/09/2010	208		2
04/10/2010	2,460		25
03/11/2010	2,055		21
01/12/2010	1,839		18
20/01/2011	1,959		20
11/01/2011	991	145	1,447
02/03/2011	4,928		49
09/03/2011	2,076		21
30/03/2011	1,765	69	1,236
30/03/2011	143	88	127
05/04/2011	3,045		30
05/05/2011	1,843		18
01/06/2011	3,077		31
01/07/2011	2,203		22
At 31 July 2011	23,387,057		29,861
10/08/2011	1,952		20
04/09/2011	3,103		31
03/10/2011	2,903		29
03/11/2011	2,021		20
05/12/2011	2,009		20
10/01/2012	2,110		21
03/02/2012	2,090		21
08/03/2012	3,817		38
16/04/2012	9,509		95
10/05/2012	2,281	145	3,330
10/05/2012	1,156		12
10/05/2012	1,563		16
17/05/2012	14,287		143
13/06/2012	6,244		62
10/07/2012	625		6
10/07/2012	139	145	203
10/07/2012	1,619		16
19/07/2012	250		3
Total	**23,444,735**		**4,086**

Share Options

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

	2012 '000s	2011 '000s	Date of grant	Exercise price (pence)	Exercise period From	Exercise period To
Key Share Options	**24**	24	18/06/2004	70	18/06/2005	18/06/2014
Key Share Options	**86**	87	01/12/2005	146	01/06/2007	01/12/2015
Target/Loyalty Share Options	**2**	2	05/03/2003	70	14/07/2005	05/03/2013
Target/Loyalty Share Options	**2**	2	18/06/2004	70	18/06/2005	18/06/2014
Target/Loyalty Share Options	**1**	1	08/11/2004	89	14/07/2006	08/11/2014
Target/Loyalty Share Options	**18**	18	01/12/2005	146	01/12/2006	01/12/2015
Deferred Share Bonus	**24**	35	18/01/2010	1	18/01/2012	18/01/2020
Deferred Share Bonus	**33**	35	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	**16**	30	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Option Bonus	**24**	30	18/01/2010	1	18/01/2013	18/01/2020
Long-Term Incentive Plan Options	**–**	81	04/02/2011	1	03/02/2014	04/02/2021
Zero Priced Share Option Bonus	**61**	173	04/02/2011	1	25/01/2013	04/02/2021
Zero Priced Share Option Bonus	**229**	173	04/02/2011	1	03/02/2014	04/02/2021
Long-Term Incentive Plan Options	**71**	–	31/01/2012	1	30/01/2015	31/01/2022
Zero Priced Share Option Bonus	**43**	–	31/01/2012	1	30/01/2014	31/01/2022
Zero Priced Share Option Bonus	**297**	–	31/01/2012	1	30/01/2015	31/01/2022
Total	**931**	691				

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 2012 and are subject to an EPS performance target with a TSR underpin. The deferred share bonus option entitlements were granted on 31 January 2012, however, all the entitlements lapsed in the year due to performance falling below the minimum threshold. The zero priced share options were granted on 31 January to members of staff subject to 2 and 3 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:

	2012 Number '000s	2012 Weighted average exercise price (pence)	2012 Weighted average share price (pence)	2011 Number '000s	2011 Weighted average exercise price (pence)	2011 Weighted average share price (pence)
Outstanding at 1 August	**691**	**26.0**	**–**	445	46.4	–
Granted	**545**	**1.0**	**–**	550	1.0	–
Forfeited/lapsed	**(287)**	**1.0**	**–**	(283)	1.0	–
Exercised	**(18)**	**11.4**	**219.0**	(21)	139.3	216.0
Outstanding at 31 July	**931**	**19.3**		691	26.0	
Exercisable at 31 July	**173**	**91.1**		134	129.8	

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

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20. Share Capital continued

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

	2012			2011		
Exercise date	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)
18/01/2013	**6**	**57**	**1.0**	18	65	1.0
25/01/2013	**6**	**61**	**1.0**	18	173	1.0
30/01/2014	**18**	**43**	**1.0**	–	–	–
03/02/2014	**19**	**229**	**1.0**	31	254	1.0
31/01/2015	**30**	**368**	**1.0**	–	–	–
Total		**758**			492	

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

The fair values of the share options and the SIPs are included in the table below. The values of the LTIPs granted in the year were calculated using a Monte Carlo simulation method along with the assumptions as detailed below. The values of the zero price options granted in the year were calculated using a Black Scholes method along with the assumptions as detailed below. The fair values of the SIPs and Deferred Share Bonus 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 (years)	Dividend yield (%)	Risk-free rate of interest (%)	Fair value (£)
10/08/2011	SIP	2.20	0.01	N/A	3.00	N/A	N/A	2.20
04/09/2011	SIP	2.18	0.01	N/A	3.00	N/A	N/A	2.18
03/10/2011	SIP	2.20	0.01	N/A	3.00	N/A	N/A	2.20
03/11/2011	SIP	2.18	0.01	N/A	3.00	N/A	N/A	2.18
05/12/2011	SIP	2.18	0.01	N/A	3.00	N/A	N/A	2.18
10/01/2012	SIP	2.13	0.01	N/A	3.00	N/A	N/A	2.13
31/01/2012	LTIP	2.12	0.01	20.4%	3.00	7.4%	0.47%	1.34
31/01/2012	Deferred bonus	2.12	0.01	N/A	2.00	7.4%	N/A	1.76
31/01/2012	Deferred bonus	2.12	0.01	N/A	3.00	7.4%	N/A	1.76
31/01/2012	Zero price share option bonus	2.12	0.01	20.4%	2.00	7.4%	N/A	1.84
31/01/2012	Zero price share option bonus	2.12	0.01	20.4%	3.00	7.4%	N/A	1.70
03/02/2012	SIP	2.15	0.01	N/A	3.00	N/A	N/A	2.15
08/03/2012	SIP	2.04	0.01	N/A	3.00	N/A	N/A	2.04
16/04/2012	SIP	2.00	0.01	N/A	3.00	N/A	N/A	2.00
10/05/2012	SIP	2.13	0.01	N/A	3.00	N/A	N/A	2.13
13/06/2012	SIP	2.06	0.01	N/A	3.00	N/A	N/A	2.06
10/07/2012	SIP	2.13	0.01	N/A	3.00	N/A	N/A	2.13

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.

During the year a Value Creation Plan (VCP) was implemented with participants receiving an entitlement to nil cost options dependent on the Company's share price at annual measurement dates. The VCP has a 5 year performance period with the first measurement date of 18 November 2012. The nil cost options will be exercisable, 50% on November 2016 and 50% in November 2017. The IFRS 2 charge was calculated using the Black-Scholes methodology using a risk free rate of return of 1.27% and share price volatility of 18.74%.

21. Transactions with Directors and Related Parties

During the year the Group made sales of £4,000 (2011: £20,000) to CTruk Group Limited and £88,000 (2011: £14,000) to CWind Limited, both related parties by virtue of the common directorship of Andy White. As at the year end CTruk Group Limited had a balance outstanding of £2,000 (2011: £nil) and CWind Limited had a balance outstanding of £32,000 (2011: £nil) . All transactions were undertaken at an arm's 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 £394,000 (2011: £284,000) for provision of management services. Further details of transactions with Directors are included in the Director's Remuneration Report on pages 40 to 44.

22. 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 on page 17.

Maturity of Financial Liabilities

The Group financial liabilities analysis at 31 July 2012 was as follows:

	Group	
	2012 £'000	2011 £'000
In less than 1 year or on demand:		
Bank overdrafts	**169**	172
Working capital facility	**15,073**	16,258
Finance costs capitalised	**(142)**	–
Bank loans and overdrafts	**15,100**	16,430
Trade and other payables	**15,961**	10,971
Total	**31,061**	27,401

Borrowing Facilities

The Group makes use of a working capital facility, details of which can be found in Note 18. The undrawn facility available at 31 July 2012 in respect of which all conditions precedent had been met was as follows:

	Group	
	2012 £'000	2011 £'000
Expiring in 1 year or less	**–**	18,742
Expiring in 1 to 5 years	**34,927**	–

The working capital facility was reviewed by the facility providers in June 2012. The facility cap was increased from £35m to £50m and covenants were updated to reflect revised forecasts. The facility is committed until June 2015.

The Director's have calculated that the effect on profit of a 1% movement in interest rates would be £258,000.

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

Net foreign currency monetary assets are shown below:

	Group	
	2012 £'000	2011 £'000
Euros	**923**	939

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.

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23. 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;
- to provide an adequate return to shareholders; and
- to price 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	
	2012 £'000	2011 £'000
Total equity	**27,648**	25,054
Cash and cash equivalents	**(626)**	(475)
Capital	**27,022**	24,579
Total equity	**27,648**	25,054
Borrowings	**15,100**	16,430
Overall financing	**42,748**	41,484
Capital to overall financing ratio	**63%**	59%

24. Subsequent Events

On 5 September 2012, Keith Lewis was appointed as a Director of Matchtech Group plc.

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	Royal Bank of Scotland, 156 High Street, Southampton SO14 2NP Barclays Bank 207/208 Queens Road, Hastings, East Sussex TN34 1QP
Invoice Finance Bankers	Barclays Bank plc, Barclays Commercial, PO Box 6751, Basingstoke RG24 4HN
Registrars	Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TO

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