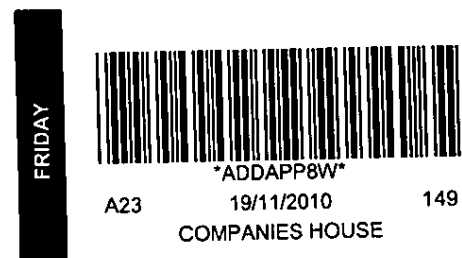


Registered Number: 04426322
(England & Wales)



Matchtech Group Plc

Report of the Directors and Financial Statements
For the year ended 31 July 2010

The Group consists of four business units, each a solutions specialist in their own area of recruitment. They all share the Group's vision and values and work to achieve the Group's goal.

Vision

Our vision is to establish a clear Group structure with four key revenue streams – all with high growth characteristics

Continue to focus Matchtech on winning business from competitors in the Engineering, Scientific, Built Environment and Technology sectors, expanding the Group's global footprint, starting with Germany

Broadening the range of our Recruitment Outsourcing services through our dedicated RPO business, elemense

Expand our Professional Services offering through Barclay Meade, focusing on high value, low volume niche recruitment within Accountancy, Financial Services, Procurement, Supply Chain & Logistics, HR, Marketing & Communications, Sales and Executive Search

Further develop our Education recruitment capability through Alderwood Education

Values

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

We hold the Recruitment & Employment Confederation (REC) Audited status, which represents the 'Gold Standard of Compliance' for the corporate REC membership

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

Energy and Enthusiasm**Honesty and Integrity****Teamwork and Fun****Goal**

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

Matchtech is one of the UK's leading technical temporary, contract and permanent staffing businesses working within the Engineering, Science, Built Environment and Technology sectors

Operating from a single UK site in Hampshire, we supply specialist contractors and permanent staff to the Private and Public Sectors across the UK

- > Established for 26 years, we have developed long-standing relationships with a wide range of high profile clients, from SMEs to major corporates
- > Whilst continuing to expand our remit and servicing an increasing number of sectors, we retain our niche specialist focus, with all our individual teams dedicated to their own areas of expertise
- > We work on a Preferred Supplier, Approved Supplier and Framework basis, supplying temporary, contract and permanent staff
- > All our staff work to high levels of service delivery ensuring we deliver the right candidate to the client fast
- > We have taken our UK technical recruitment expertise and expanded into the large German technical marketplace, opening an office in Stuttgart in 2009

To read more about our strategic objectives and to hear from Keith Lewis, our Managing Director, please go to page 08

88%

of Group Net Fee Income is generated from the UK technical business

4,500

contractors on assignment at end of period

1,100

candidates placed into permanent positions in the year

Barclay Meade is a recruitment expert in the Professional Staffing sector. We have extensive experience delivering both permanent and temporary recruitment solutions on a nationwide basis, across eight specialist areas.

- > Accountancy
- > Financial Services
- > Procurement
- > Supply Chain & Logistics
- > HR
- > Marketing & Communications
- > Sales
- > Executive Search

Our professional staffing Consultants have wide-ranging and industry-specific experience and are regarded as experts, recruiting in their specialist markets for many years.

- > We are dedicated to the delivery of an engaged professional solution, managing the very best of the talent pool, therefore providing targeted results
- > To ensure that we provide this across the UK, Barclay Meade currently has four regional offices in Whiteley, near Southampton, London, Aberdeen and St Albans

To read more about our strategic objectives and to hear from Nigel Lynn, our Managing Director, please go to page 10

500

permanent placements in the year

400

contractors on assignment at
end of period

At Alderwood Education, we pride ourselves on best practice recruitment, tailored for the Education & Training sector. Our core values and attributes are important to us, and underline our proven ability to deliver results.

With over eight years of experience in the Education market, we have extensive experience delivering both permanent and temporary recruitment solutions, across three specialist areas:

- > Work-Based Learning
- > Employability & Welfare to Work
- > College Tutoring & Lecturing
- > We have long-standing agreements with a number of the UK's largest private Training Providers, and also work on an ongoing basis with many smaller Training Providers and Colleges across the UK
- > Our size and extensive in-house capabilities allow us to offer tailored solutions ensuring that the most appropriate approach is adopted for each client

To read more about our strategic objectives and to hear from Nigel Lynn, our Managing Director, please go to page 10

240

NVQ Assessors and Trainers placed in the year

Recruitment is becoming ever more sophisticated. Clients are looking beyond a single successful hire and are seeking solutions to their longer-term need for talent. They want innovation and leading-edge thinking, to extract real business advantage.

We offer a range of recruitment solutions individually tailored to meet the specific needs of each client. These encompass Managed Agency, Neutral Vendor and full-scope Recruitment Process Outsourcing (RPO) solutions, together with a range of consulting services that both support the development of our solutions, and form components of our delivery models.

- > We are dedicated to working in partnership with our clients
- > We provide custom-made recruitment solutions based entirely on listening to and understanding their recruitment needs
- > Every challenge is unique. Our flexible approach enables us to take clients' aims and ambitions and turn them into results
- > At elemense we provide support in defining strategy before delivering the tactical solutions to realise that strategy

To read more about our strategic objectives and to hear from Peter Collis, our Managing Director, please go to page 11

10,000

weeks of contractor work managed through our extensive supply chain

500

contractors placed during the year via our tiered suppliers

"The Group has begun the year well, with trading in the first two months to the end of September in line with our expectations.

Notwithstanding the uncertain economic times, given our robust business model, the ambitious plans we have for our sector diversification and the start of our international network, the Board is confident in the medium term prospects for the Group."

Adrian Gunn
Chief Executive Officer

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2010 Summary

-
- > Revenue £264.4m, down 2% on 2009
 - > Net Fee Income (NFI) £26.2m, down 14% on 2009
 - > Operating profit of £8.8m, down 24% on 2009
 - > Operational cost savings of £2.1m compared with 2009
 - > Low net debt of £4.5m at end of year
 - > £25m banking facilities extended until April 2013
 - > Increased sales force headcount to 200 at the year end
 - > Strategic executive appointments
 - > Launched Barclay Meade and Alderwood Education
 - > Operating investment in new growth initiatives of £0.9m in H2
 - > Record number of contractors on assignment at the year end of 5,100
 - > Steady increase in average weekly permanent fees
 - > Final dividend maintained at 10.6 pence per share (total dividend 15.6 pence)

"The management have used the economic slowdown to strategically review the business. We have restructured the Group to make it more understandable to both clients and investors, we have made some key appointments, and have commenced a number of additional growth initiatives to add to the Matchtech UK organic growth model."

George Materna
Chairman

Sector Analysis: Public & Private

Our exposure to the Public Sector has reduced throughout the year, with currently around 43% of NFI generated by ultimate public sector funding. This change in mix is a consequence of public departments proactively reducing their expenditure in anticipation of the Comprehensive Spending Review along with an upturn in the Private Sector, particularly in Technology and Automotive.

Market Sector

% of Net Fee Income

As expected, the Built Environment sector has been affected to the greatest extent. However all three of our sectors have demonstrated their resilient nature, with the split of Net Fee Income (NFI) generated by each sector remaining broadly in proportion to that of 2009.

Placements

% of Net Fee Income

Contract Activity**Permanent Activity**

Maintaining a balance between the resilient contractor business and the more volatile but cash-generative permanent business is a key driver of the Group's business plan. Over time, the Group aims to generate some two-thirds of its NFI from contract placements and one-third from permanent fees.

The consistently high level of contract vacancies filled has been a key factor in building the resilience of the contract business. This is demonstrated by a record number of contractors (5,100) on assignment at the end of the year. Our contract NFI in 2010 of £20.1m is down less than 10% from its peak in 2008 of £22.2m, with the fall due to margin and pay rate pressure and the mix effect between Blue and White Collar contractors.

As expected during this part of the economic cycle, permanent placements have fallen. Clients, wary of the uncertainty in the economy, defer or delay decisions to recruit, or look to a more flexible contract model to complete projects or manage the peaks and troughs in demand. Candidates, also wary of the future, look to stay in the jobs and businesses they know.

Chairman's Statement

"We combine entrepreneurial flair with strong relationship management skills and have a culture of drive and enthusiasm for delivering results, without compromising on quality

With our talented and committed staff, resilient technical UK base and new growth initiatives, I believe the Group can deliver strong results over the medium-term "

The investment proposition

Well Balanced Broad spread of sectors clients and relationships

Established Strong track record of organic NFI and profit growth

Flexible Efficient systems and high operational flexibility, based around a single major site

Resilient Matchtech UK – Single site technical contract business model

Contractors Record number on assignment

Permanent Fees Capability and resource to increase rapidly

International Expanding into selected markets

Professional Services Strategic managerial appointments, office rollout & new brands

Sales force headcount Increasing across all sectors

Cash Strong cash generation, low net debt & extended bank facilities

Dividend policy Board's commitment to maintain a strong dividend payout

Trading Performance

Trading was in line with expectations. Group revenue for the year decreased by 2% to £264.4m, Net Fee Income (NFI) for the year decreased by 14% to £26.2m, average weekly contract NFI was up 7% in H2 compared to H1 and average weekly Permanent Fees were up 12% in H2.

The Group generated net cash from operating activities of £0.8m (2009 £5.9m) and had low net debt at the year end of £4.5m (2009 £1.2m).

Dividend

The Board is pleased to announce a proposed final dividend for the year of 10.6 pence per share, which makes a total dividend for the year of 15.6 pence per share (2009 15.6 pence), covered 1.7 times (2009 2.2 times) by earnings.

Markets

The impact of the global recession on the UK has contributed to uncertainty in the staffing sector, characterised by the fall in the levels of permanent recruitment, but balanced to some extent by resilience in the flexible contractor workforce side.

The Engineering sector has performed robustly, predominantly due to the longer-term nature of client projects, with a good proportion of our business on framework contracts, providing higher contractor numbers at reduced margins.

Not surprisingly, the Built Environment is the sector facing the most challenging conditions. The outlook is especially uncertain ahead of the Government's important statement on the Spending Review on 20 October 2010, with an expectation of significant Public Sector spending cuts.



George Materna
Chairman
6 October 2010

We continue to support our clients by providing a whole range of specialist staffing requirements and, both in Information Systems & Technology and Professional Services, client sentiment became more positive as the year progressed.

Strategy

Our core Matchtech UK business in the Engineering, Science, Built Environment and Information Systems & Technology sectors remains at the heart of the Group and we will continue to develop and nurture it accordingly.

Whilst continuing to focus on our niche technical specialties, we are extending this into the German market and further developing the elemense Recruitment Process Outsourcing (RPO) business. We are also building our Professional Services business by launching the Barclay Meade and Alderwood Education brands which, unlike the Matchtech UK model, will not be single site operations but will instead operate out of a small number of strategic regional offices.

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

People

I would like to welcome two significant external appointments, Nigel Lynn and Peter Collis, to the Group Executive Team. Nigel brings specialist Professional Services pedigree and multi-branch knowledge, heading up our Barclay Meade brand. Peter has many years of experience in transformational RPO and is tasked with developing our elemense business in new markets.

These appointments, along with the broadening of responsibilities for Keith Lewis, who has been appointed Managing Director of our core business – Matchtech – have enhanced the Executive Team and will help support Adrian Gunn in his role as Chief Executive.

Adrian, in his statement, pays tribute to the outstanding commitment and dedication of all our employees in what has been a challenging year, and I

would wish to add the Board's thanks to those of Adrian's. The Board would also like to thank our loyal and hard-working contractors who have provided our clients with an exemplary service.

Outlook

The year has been characterised by uncertainty in the UK economy, the General Election and anticipation of the Government's Comprehensive Spending Review (to be announced on 20 October 2010).

Finding candidates and contractors with the right skills at the right time can sometimes be difficult, and in the UK there are concerns of a talent shortage. Even now employers are actively looking for motivated and skilled candidates to join their workforces and help drive future growth. Momentum is increasing with improving traction in permanent recruitment and contractor numbers are at a record level.

We have a healthy balance of business mix, clients and relationships, and although we have exposure to the Public Sector, both directly and indirectly, much is on long-term contracts and protected, to an extent by the specialist nature of the vacancies to be filled.

The management have used the economic slowdown to strategically review the business. We have restructured the Group to make it more understandable to both clients and investors, we have made some key appointments and have commenced a number of additional growth initiatives to add to the Matchtech UK organic growth model.

We combine entrepreneurial flair with strong relationship management skills and have a culture of drive and enthusiasm for delivering results, without compromising on quality. With our talented and committed staff, resilient technical UK base and new growth initiatives, I believe the Group can deliver strong results over the medium-term.

Chief Executive's Review

Following more than 10 years of consistent organic growth leading up to the current recession, averaging in excess of 20% per annum, the downturn in the UK economy has given the management an opportunity to challenge our previous growth strategies

We have restructured the business to reflect the sectors we serve, and to take advantage of opportunities as the economy recovers

Our Strategy for Growth

Matchtech

- > Core focus remains on UK technical market
- > Restructure business to align to sectors we serve
- > Retain single site model
- > Expand internationally into Germany

Professional Services

- > Launched Barclay Meade and Alderwood Education brands
- > Nigel Lynn recruited as Managing Director of new brands
- > Opened offices in London, Aberdeen and St Albans with plans to open additional strategic offices to support growth

elemense RPO

- > Peter Collis recruited as Managing Director of elemense
- > Focusing on winning new RPO business outside technical arena

£8.8^M

solid operating profit in the year to 31 July 2010 during difficult trading conditions

33.7%

resilient net fee income to operating profit conversion, including investments in new initiatives, highlighting our flexible and low cost base

Performance Overview

I am pleased that the Group has delivered solid results for the year in what have been difficult market conditions

Contractors on assignment have increased throughout the year finishing on record numbers of 5,100. The average contract NFI has increased from £391,000 per week in Quarter 1 to £413,000 per week in Quarter 4 and permanent fees from £117,000 to £127,000 per week

Strategic Developments

Prior to the current recession, in the ten financial years to July 2008, the business organically grew its NFI at a compound average growth rate of 27% per annum. The downturn in the UK economy has given the management an opportunity to challenge our previous growth strategies. We have restructured the business to better reflect the sectors we serve and to take advantage of opportunities as the economy recovers.

From 1 August 2010 **Matchtech** is a purely technical business servicing four key sectors: Engineering, Science & Medical, Built Environment and Information Systems & Technology. In September 2009 we set up an office in Stuttgart to service the German technical marketplace, initially focusing on the Automotive and Aerospace sectors.

The Group has launched two new brands in Professional Services, both of which commenced trading on 1 August 2010 and seek to significantly accelerate the development of the existing business.

Barclay Meade focuses on Accountancy, HR, Marketing & Communications, Supply Chain & Logistics, Financial Services, Sales, Procurement and Executive Search.

Alderwood Education will develop the existing Work Based Learning and Welfare to Work business while expanding into further education.

In order to support these two new brands, we have opened three office locations in London, St Albans and Aberdeen, and taken additional floor

space adjacent to our Head Office in Fareham, Hampshire.

In July 2009 we launched our RPO business, **elemense**, which allows us to broaden the scope of services we can provide to clients, including internal re-deployment, direct hiring and agency supply chain management.

We have also invested additional resource within our own Business Development, especially up-skilling our Bids and Tenders team to ensure we maximise our success in large tenders. This has been very successful, allowing the business to improve its exclusivity with key clients as well as helping retain existing business.

Management and Staff

Our staff, the Group's key resource, have continued to deliver results despite the toughest market conditions in the Group's history. I thank them for their continued dedication and commitment through this difficult period, along with their openness and acceptance of the changes we are making.

We have strengthened our Management Team and I am pleased to welcome Nigel Lynn and Peter Collis, Managing Directors of our Professional Services and elemense brands respectively. Nigel and Peter have many years' highly relevant experience and bring new external dimensions to the Group Executive.

The Group places high emphasis, throughout the organisation, on our core values of Energy, Enthusiasm, Honesty, Integrity, Teamwork and Fun.

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

Chief Executive's Review continued

3,100

contractors in the Engineering sector on assignment at 31 July 2010 up 13% on 31 July 2009

£12.0^M

resilient Engineering contract net fee income in the year unchanged from 2009

Matchtech

The last 12 months have clearly illustrated that market conditions are slowly improving. In order to capitalise on this and give further clarity to our broad client base, some structural changes have been implemented within the UK technical business.

Moving forward, Matchtech in the UK will operate under four sectors, **Engineering, Science & Medical, Built Environment and Information Systems & Technology**.

The Engineering sector has two main divisions, one focusing on the Marine, Automotive, Aerospace and Rail industries (MAAR) and the other on the Energy sector.

Within Marine we have created further expansion and development in the areas of Maritime and Shipping which clearly complement our established areas.

Our Rail Vehicles team will continue to focus on identifying and building relationships with key contacts in train and freight operating companies which is a key long-term growth strategy of this department. They will also work closely with our existing clients from the Built Environment sector in order to maximise a Rail presence for Matchtech.

Matchtech

With four clear sectors, a strong Management Team and outstanding quality across our Consultants, we are extremely well placed to implement our clear strategy to maximise profitable growth. The expansion into the German market is moving forward as we develop a high quality candidate database and build excellent relationships with key target companies.

Keith Lewis

Managing Director, Matchtech

In Automotive we aim to continue increasing our market share through our numerous preferred supplier arrangements with major OEMs and suppliers. In the Aerospace sector, key programme support for the A350 and C Series across engineering and manufacturing will drive growth whilst we will also further develop our Aviation presence, progressing from Back office support functions to full airline support capability.

Energy will have a focus on two major marketplaces: Oil & Gas and Renewable Energy. We have had many years of successful trading in the Oil & Gas market with a focus on Offshore, Subsea and Petrochemical projects. Our client range is broad and covers a range of Operators, Contractors, Consultants, Subsea specialists, Drilling Companies and Equipment Manufacturers with whom we have established and preferred supplier agreements.

Renewable Energy is a new area, created within our Energy division, and has opportunities for major growth as we are able to capitalise on several business relationships with clients who are also expanding into this market.

The restructure has seen the creation of a dedicated Science & Medical sector.

Strategic Objectives

The new structure has enabled us to capitalise on our strengths, providing an opportunity for further expansion and diversification.

- > to maximise profitable growth
- > create one of the UK's leading IS&T recruitment companies
- > develop the Science & Medical sector of the business and establish Matchtech as the leading specialist in this area
- > achieve major increases in our market share within the newly defined areas of Renewable Energy, Rail and Power & Nuclear
- > take our UK technical expertise and client relationships into the German recruitment market

↑ Growth Markets

Although Germany is our first staffed non-UK office, we have successfully supplied into many countries around the world, including the United States. We will be looking into potential new geographical markets that complement our business growth strategy.

which builds upon our previous presence within the Food and Pharmaceutical industries. The sector will place scientific skill sets across all industry sectors, will focus on niche clinical disciplines which will create high margin opportunities, and will also be expanding into the medical arena, further expanding the skill sets supplied. This represents significant growth potential for us with a clear, low risk strategy in line with the niche specialism that has been so effective in the past. The investment in the Pharmaceutical and Biotechnology industry, the unique skills sets within the Clinical arena and the size of the Medical market (c 2.8m people) makes the Science & Medical sector an exciting prospect for growth.

Our Built Environment sector now incorporates the Power & Nuclear team, an area which offers exciting growth opportunity as the proposed nuclear new-build programme looks set for multi-billion pound investment in the next few years. By placing the team within Built Environment we will be able to accelerate growth via our strong long-term successful relationships with core construction clients. Other opportunities will be created within nuclear decommissioning, thermal power and transmission & distribution.

Transportation has been structured to create three teams covering Highways, Traffic and Planning. They will capitalise on the wealth of experience that the business has developed across both the Public and Private Sectors.

The Buildings team are also strongly positioned for the early signs of recovery that are evident in the Private Sector markets of commercial, retail and leisure.

We have also formed a Rail team and recruited experienced staff which will enable us to target the safety critical market in addition to the Projects and Design & Build work where we have already made significant progress.

Investment is being released into the water industry evidenced by the latest cycle in the industry, AMP5, which is also serviced from our Built Environment sector. We will develop and build upon our core engineering numbers on the back of several successful years in the water industry.

The Information Systems & Technology sector combines the strengths of the Information Technology and the Electronic Software Systems teams and is designed to take full advantage of the market upturn with a highly experienced Management Team and an array of experienced Consultants. This will be achieved in the Business Information Systems, Electronic Software and Communications markets. A robust business plan provides a clear strategy to maximise profitable growth from these markets across all industry sectors, not just those currently covered across the existing client base.

Across the four sectors clear business and marketing plans are in place to address the new opportunities and clarify how the established strengths of our business can be best leveraged to further increase our market share.

The Group also opened its first non-UK office in Stuttgart, Germany in November 2009.

Our core focus is initially in the Aerospace and Automotive sectors, where we are operating with high profile clients in both engineering and technical disciplines and we have established a number of Preferred Supplier relationships.

We have developed a high quality candidate database and built excellent relationships with many key target companies, 80 of whom have worked with us during the first year of trading.

The skills shortages in the German Engineering market are as acute as those in the UK, and our clients see the benefit of working in partnership with a dynamic specialist recruiter to attract the top talent in a competitive marketplace.

The Group is positive about the trading conditions in the German Engineering market in the coming year whilst being mindful of the time it can take to establish a presence in a new market. We are expecting to grow our profile significantly in the supply chains of OEM businesses, in both the Automotive and Aerospace arenas. In addition to developing our core design and engineering focus we will also continue to grow our services to the Aircraft Maintenance sector.

Chief Executive's Review continued

£0.5^M

investment in new brand growth initiatives
in H2 £0.4m on increased sales force
headcount

Barclay Meade

The Group entered the Professional Staffing market some time ago through leveraging our key relationships with technical clients to successfully fulfil their requirements outside our historic core specialties. As this developed, our staff were increasingly successful in placing professional candidates outside the technical sector, but our technical brand was restricting progress in this area, leading us to rebrand the service under Barclay Meade.

The new brand will provide an engaged professional solution, managing the very best of the talent pool and provide the best candidates in Accountancy, HR, Marketing & Communications, Supply Chain & Logistics, Financial Services, Sales, Procurement and Executive Search.

With the increased focus on the professional staffing market, a rebrand and launch combined with the investment in highly experienced Consultants, we expect the business to make significant progress during the coming year. We have a clearly defined strategy with focused delivery teams in place and with the continued improvement in economic conditions,

Barclay Meade is well positioned to establish itself in the market and to increase its market share.

Alderwood Education

Our Education sector offering was initially established as a by-product of the strategy of a major client. By following the client's move into the Work-Based Learning sector, we were able to expand, supplying NVQ Assessors and Trainers to the Hospitality, Leisure and Care sectors. This has now developed to a level that enables us to launch a dedicated business, Alderwood Education, to service this market, as well as moving into Welfare to Work and Supply Teaching.

In July 2010, the Secretary of State for Work and Pensions, Iain Duncan-Smith, pledged to "change forever a system that has too often undermined work and the aspiration that goes with it". This approach will reinforce the opportunity that exists in the Employability and Welfare to Work programmes. Alderwood, with its established relationships with private training providers, is well placed to supply into these initiatives.

Barclay Meade & Alderwood Education

This is an exciting time to launch two new high quality brands on the back of the success the Group has enjoyed to date in the sectors.

Barclay Meade Strategic Objectives

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

- > building a brand with experts recruiting experts
- > a genuine partnering approach with the customer
- > innovative, tailored delivery, through thorough understanding
- > in-depth knowledge of the available talent pool within each market

Nigel Lynn

Managing Director Barclay Meade and Alderwood Education

Alderwood Strategic Objectives

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

- > compliance driven solution
- > fast and accurate service delivery
- > innovation through technology
- > expert knowledge of the market place

↑ Transformational

Already operating with a range of clients across industry sectors, elemense focuses on transforming how businesses attract, deploy and retain talent and will be looking into potential developing relationships with clients where we can work in partnership to deliver outstanding value

elemense

The demand for recruitment services is becoming more sophisticated, and clients expectations are increasing. Looking beyond a single successful hire to meet a short-term business requirement, clients are seeking solutions to their longer-term need for the talent to support their business aims. They want innovation, access to leading-edge thinking, and to extract real business advantage from working with their chosen recruitment services provider.

elemense offers a range of recruitment solutions individually tailored to meet the specific needs of each of our clients. These encompass managed agency, neutral vendor and full-scope recruitment process outsourcing (RPO) solutions, together with a range of consulting services that both support the development of our solutions and form components of our delivery models.

Established in 2009, elemense already operates with prestigious clients across a wide range of industry sectors. We adopt a partnership approach, listening and understanding business issues before developing and deploying unique recruitment solutions. Our solutions are wide ranging and include

elemense

Created in 2009 to meet a demand for increasingly sophisticated recruitment solutions, elemense is the Group's provider of recruitment process outsourcing (RPO) solutions. Already operating with a range of clients across industry sectors, elemense focuses on transforming how businesses attract, deploy and retain talent.

Peter Collis

Managing Director, elemense

both temporary and permanent workforces, from Apprentices and Graduates through all grades to Boardroom positions.

We understand that clients are expecting something more. A focus wholly on the delivery of a transaction-based service, however efficient, will not deliver on the promise of outsourced recruitment. elemense is seeking to transform the ways in which our clients attract, deploy and retain the talent that is crucial to achieving their objectives.

Although elemense clearly benefits from being part of the Group – with financial strength, significant experience and credibility in a number of our target markets – it operates independently, with Group companies only constituting part of an elemense solution when it is appropriate and of benefit to the client.

Our strategy for elemense includes investment in our capability to deliver transformational resourcing solutions, leveraging the historic areas of strength of the Group and focusing on developing relationships with clients where we can work in partnership to deliver outstanding value.

Strategic Objectives

Addressing the need to deliver on the promise and potential of outsourced recruitment

- > development of the capability to deliver transformational services and solutions
- > building on the historic strength of the Group, both financially and in terms of delivery capability
- > establishing and maintaining client relationships that support a partnership model
- > achieving a leadership position in the delivery of RPO solutions

Chief Executive's Review continued

Operational Review

Engineering Sector

In the Automotive industry, we have seen a significant recovery in Product Development activities. As one of the UK's leading Automotive recruiters we have been instrumental in providing OEMs and suppliers with the resource required to undertake fresh development activities. In the Aerospace market, as the world's airlines move back towards profitable positions, we are at the forefront of the drive to secure the resource required to engineer and build the next generation of aircraft.

Another successful year was achieved by the Marine department, which saw key Defence projects contribute towards further growth – a 99% fulfilment rate on our Master Vendor accounts for White and Blue Collar requirements in this area being a significant achievement.

The Oil & Gas team saw signs of improvement and recovery within the Offshore and Subsea markets. Previously delayed upstream projects were signed off and many clients throughout the Oil & Gas industry increased recruitment activity on both a permanent and contract basis. This is continuing into the new financial year across UK and overseas-based clients.

The Power & Nuclear team focused on client development work. Now in our Built Environment business, this should allow the team to better capitalise on our long-term relationships with major accounts that will be focusing on the forthcoming New Build programme.

The Pharmaceutical, Food and Medical marketplaces stayed fairly resilient during the year. Our newly created Scientific sector will focus on Scientific, Medical and Clinical recruitment. We are targeting significant growth in the coming year.

← **Engineering sees increased activity**

Whilst conditions remain difficult some sectors, Automotive and Aerospace in particular, have bounced back from the lows of 2009. The Marine and Oil & Gas sectors have also seen good activity levels.

← **Difficult trading conditions in Construction**

The Construction industry saw another period of difficult trading conditions, but the decline in Construction output was far less dramatic than the previous year.

Built Environment Sector

The Construction industry saw another period of tough trading conditions, but the decline in Construction output was far less dramatic than the previous year. Throughout the downturn we have continued to successfully protect and improve our key relationships within the sector. This success has been highlighted with the extension of our Master Vendor agreement with Mouchel, our capturing of a significant increase in the volume of business at Transport for London further to their tender process, and an array of wins and improvements on Preferred Supplier Lists across a number of key accounts.

The Private Sector building market bottomed out in early 2010 and recovery is evident in the hardest hit areas such as Commercial, Retail and Leisure. We have positioned ourselves to track and capitalise on such a recovery however clarity is still required within the Public Sector arena, where we await the outcome of the Government's Comprehensive Spending Review on 20 October 2010.

Within the Water division we saw the start of AMP5 – the latest cycle of investment in the industry which will trigger new projects to start imminently and should enable us to grow our long-term client relationships.

The Rail industry has been a success for us this year, enabling us to create a new department in order to capitalise on our success. We are planning to develop within the Safety Critical marketplace.

Whilst the areas of Highways, Traffic and Planning face further challenges relating to potential funding issues from the Department of Transport we are market leaders in these core areas and are capitalising on opportunities, which include Private Sector schemes, Parking, Highway Maintenance and Development Control.

Chief Executive's Review continued

Professional Services Sector

During the year we saw the slow re-emergence of hiring demand starting to flow into some of the professional markets with some sectors – Financial Services for example – accelerating quicker than others. Confidence is gradually flowing through into permanent hiring and, although there has been some hesitation from the candidates to engage, normalisation is emerging. Contractor numbers are at record levels, although margins have been under pressure during the year.

The year was challenging in the Education market with the shift of expenditure into the Employability programme compensating for the reduction from the Train to Gain initiative. Education and Training, which had been developed from supplying our Master Vendor/RPO clients over the last six years, also undertook a strategic review and, as with Professional Services, to avoid diluting this service within the Matchtech technical brand, it was rebranded Alderwood Education.

Alderwood has maintained a strong presence within the Work-Based Learning and Welfare to Work sectors over the last 12 months, as well as moving into the Further Education sector. The major successes have been winning a key Preferred Supplier Agreement with Rathbone Training and securing a place on the Crescent Purchasing Consortium (CPC) framework. The change of Government has led to many changes to funding within the Education sector, but there remains a strong commitment from the state to train the long-term unemployed and develop skills for the future via vocational training and apprenticeships.

Our IT division saw impressive results this year as a result of a successful business development strategy targeting business outside the traditional client base. We now have a trading history with a portfolio of major corporate organisations. The strength and development within this area will continue to grow with the merging of our IT and ESS divisions to create the IS&T sector, enabling us to rapidly expand within the areas of Business Information Systems, Communication Systems and ESS.

After a strategic review of the professional staffing market it was apparent that the business needed to give its customers sharper clarity of our offering and avoid diluting this service within the Matchtech technical brand. Barclay Meade is well-placed to deliver the Group's strategy of building a significant professional staffing operation.

Outlook

Equipping client organisations with the knowledge and skills required to meet their goals, without incurring unnecessary overhead costs from superfluous headcount, is fast becoming a preferred workforce solution – one which will continue to provide opportunities for the Group.

↑ Demand up for professional staff

The Professional Services marketplace has started to recover, with some sectors reporting high demand, particularly in London, where the Group is seeking to further increase its presence.

Our diversified exposure to end-markets continues to give us added resilience to market fluctuations and, whilst we are prepared for a period of tighter Government spending, we believe there will still be areas of growth in our chosen markets. Based on our track record of working in partnership with our customers, identifying and delivering the cost-effective solutions and long-term operational efficiencies they require we believe we are well placed to take advantage of opportunities that will arise during this uncertain economic period.

The Group has a long track record of profitability, the balance sheet has low levels of debt and we have a highly experienced Management Team capable of dealing quickly and effectively with whatever market conditions are presented to them. The Group has been actively recruiting through the year, giving us the capacity to achieve significant organic growth over the medium-term within existing resources.

The Group has been actively recruiting through the year and anticipates investing a further £2.0m in 2011, giving us the capacity to achieve significant organic growth over the medium term within existing resources.

The Group has begun the year well with trading in the first two months to the end of September in line with our expectations.

Notwithstanding the uncertain economic times, given our robust business model, the ambitious plans we have for our sector diversification and the start of our international network, the Board is confident in the medium term prospects for the Group.

£2.1^M

reduction of core operating costs in the year



Adrian Gunn
Chief Executive Officer
6 October 2010

Financial Review

"We have successfully navigated turbulent markets by reducing costs and flexing our resources to meet demand, whilst investing in promising new initiatives. I believe the Group is well structured to take advantage as economic growth returns."

Responding to Turbulent Markets and Positioning the Group for the Future

We have successfully navigated turbulent markets by reducing costs and flexing our resources to meet demand whilst investing in promising new initiatives, including Barclay Meade, Alderwood Education, elemense and Germany

Although the Group continues to expand its remit, servicing an increasing number of sectors, we retain our niche focus with all our individual teams specialising in their own areas of expertise and drawing on the systems and Shared Service resources of the Group

The Group has a very balanced business

- > We are not over reliant on any one client. Our largest client accounted for 11% of NFI in 2010
- > With over 1 500 fee paying clients, our top 50 clients represent 54% of NFI
- > We are a resilient contractor-led business, with a healthy balance of cash generative permanent fees. In 2010, 77% of NFI was generated from contract and 23% from permanent placements

£25^M

working capital banking facilities with Barclays Bank plc committed until April 2013

£4.5^M

low net debt at 31 July 2010 with maximum borrowings in the year of £11.9m

- > We also have a balance of business relationships, with major framework agreements that give good visibility and contingency business which operates at higher margins

We continue to invest in the latest technology to ensure our candidate attraction strategy is best in class adding to our strong service delivery capability

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

The Group's business model – contract focus, a broad spread of clients across many sectors working on long-term infrastructure projects, a balance of key client relationships and low cost operating model with low levels of bank debt – has provided stability against an uncertain economic backdrop and allowed the Group to deliver solid profits for the year

I believe the Group is well structured to take advantage as economic growth returns

Performance

The Group's revenue for the year was £264.4m down 2% (2009 £269.6m)

Net Fee Income (NFI) for the year was £26.2m, down 14% (2009 £30.3m). During this part of the economic cycle there has been downward pressure on margins and pay rates, as clients look to reduce their cost base whilst maintaining the level of staff required to complete projects. Contract margins were 7.8% (2009 8.4%). Margins in each of the last four half-years were 2009 H1 8.6%, H2 8.2%, 2010 H1 7.8% and H2 7.7%.

There has also been reduced demand for Permanent staff, due to the uncertainty in the economy. This has resulted in reduced Gross Profit margins of 9.9% (2009 11.2%) and a change in our business mix with 77% (2009 73%) of NFI derived from recurring contract income and 23% (2009 27%) from permanent placements.

As previously reported, during the second half of financial year 2009 the Group reacted quickly to the fast

deteriorating market conditions reducing its core operating costs in the year by £2.1m to minimise the impact of lower NFI whilst ensuring it maintained core staff levels. Against this the Group invested in new growth initiatives to enable it to take advantage of an economic recovery, entering the German market (cost £0.4m) and increasing sales force headcount in the new Professional Services brands, Barclay Meade and Alderwood Education (cost £0.5m). NFI conversion fell in the year to 33.6% (2009 38.6%).

The Group generated Operating Profit for the year of £8.8m (2009 £11.6m), down 24%.

Operating profit included a write back of previous years' IFRS 2 share-based payment charges of £0.3m (2009 £0.6m) in respect of the 2008 Long Term Incentive Plan (LTIP) share option grants to staff having lapsed due to the targets not being met.

With low financing costs, the Group generated profit before tax of £8.6m, down 24% (2009 £11.3m).

The effective tax rate for the year was 28.4% (2009 29.2%).

Profit after tax was £6.1m, down 24% (2009 £8.0m).

Basic earnings per share fell by 23% to 26.35p (2009 34.37p) and diluted earnings per share by 24% to 25.96p (2009 34.35p).

Dividends

The Board has proposed 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 19 November 2010, will be payable on 3 December 2010 to those shareholders registered on 5 November 2010.

This makes a total dividend for the year of 15.6 pence per share (2009 15.6 pence) when added to the interim dividend of 5.0 pence per share, giving dividend cover of 1.7 times (2009 2.2 times).

Group Balance Sheet

Group net assets stood at £23.7m (2009 £21.2m). The Company had 23.3m fully paid ordinary shares in issue at 31 July 2010 (2009 23.3m).

Financial Review continued

Key Performance Indicators

Revenue

The Group's revenue for the year was £264.4m, down 2% (2009: £269.6m). The Group has a broad spread of clients across many sectors, working on long-term infrastructure projects with many key relationships in framework agreements – which have provided a measure of resilience during the recent economic conditions.

Net Fee Income (NFI)

NFI for the year was £26.2m, down 14% (2009: £30.3m). During this part of the economic cycle, there has been downward pressure on margins and pay rates as clients look to reduce their costs base whilst maintaining the levels of staffing required to complete projects. There has also been reduced demand for Permanent staff due to the uncertainty in the economy.

Net Fee Income Conversion

Whilst the Group took prompt action to reduce costs at an early stage in the slowdown, it has remained mindful of the need to maintain core staff levels and invest in new initiatives to take advantage of an economic recovery. This has resulted in a fall in Net Fee Income conversion in the year to 33.6% (2009: 38.6%).

Profit Before Tax

In 2010 the Group generated solid profit levels. Due to the Group's strong cash generation the Group had low financing costs (£0.2m). Profit before tax for the year was £8.6m, down 24% (2009: £11.3m).

Diluted Earnings per Share

The Group generated Diluted Earnings per Share of 26.0 pence, down 24% (2009: 34.4 pence).

Operating Cash Conversion

The Group continues to generate cash to return to shareholders. Cash conversion for the year has been affected by our largest client moving from Corporate Purchase Card payments (4 days) to standard invoicing terms, resulting in a one-off increase in debtors of approximately £5m. The resultant increase in interest costs is more than compensated by the savings on credit card charges.

Operating Profit

The Group generated Operating Profit for the year of £8.8m (2009: £11.6m) down 24%. The fall in Operating Profit includes the investments in new Group initiatives, entering the German market (£0.4m) and additional headcount in the new Professional Services brands Barclay Meade and Alderwood Education (£0.5m).

Dividend per share

Due to the Group's strong cash generation, the strength of the balance sheet and secured banking facilities of £25m until April 2013, the Board has maintained the dividend payout for the year, with an interim dividend of 5 pence per share paid on 23 June 2010 and a proposed final dividend of 10.6 pence per share which, if approved by shareholders at the Annual General Meeting, will be payable on 3 December 2010 to those shareholders registered on 5 November 2010.

Note: the Group was admitted to AIM in Financial Year 2007. Accordingly the pre-Admission dividends in 2006 are not shown.

Capital Expenditure

With the slowing economy impacting the Group in Financial Year 2009, the Board took swift action to significantly reduce capital expenditure, putting on hold the purchase of new cars and purchasing only essential office and computer equipment.

However, the Board is mindful of the need to continue to invest in the business and ensure that the Group's assets are up to date. Accordingly, in the second half of Financial Year 2010, the Group commenced replacing older vehicles and invested in the infrastructure required for the new initiatives, resulting in capital expenditure in the year of £0.6m, all in H2 (2009: £0.4m all in H1).

Net Debt

Net debt at 31 July 2010 was £4.5m (2009: £1.2m). The increase in net debt is almost entirely due to our largest client moving from Corporate Purchase Card payments (4 days) to standard invoicing terms (56 days) resulting in a one-off increase in debtors of approximately £5m. The resultant increase in interest costs is more than compensated by the savings on credit card charges.

The Group operates a working capital Confidential Invoice Discounting facility with Barclays Bank plc, which was extended during the year and is committed until April 2013. The facility ceiling currently stands at the lower of £25m or 90% of qualifying invoiced debtors and interest on borrowing is at Barclays Bank Base Rate plus 2.25%. At 31 July 2010 the balance on the Confidential Invoice Discounting Facility was £4.8m. The utilisation of all borrowing facilities as at 31 July 2010 was less than 20% and the maximum borrowing during the year was £11.9m.

Group Cash Flow & Debtors

The Group continues to be cash generative at an operating level. Operating cash conversion in 2010, defined as cash generated from operations as a percentage of operating profit, was 43% (2009: 84%), having been affected by the one-off change in debtors described above. This also affected current debtor days which, at the year-end based upon the preceding three months revenue, were 47.2 days (31 July 2009: 41.8 days, 31 January 2010: 43.4 days). At 31 July 2010, £0.1m (2009: £0.2m) of the £40.5m debtor book was greater than 60 days overdue, less than 0.5%.

Group financial risk management

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

The Group's strategy is to finance its operations through a mixture of cash generated from operations and, where necessary, equity finance and borrowings by way of bank facilities and working capital Confidential Invoice Discounting finance. The Group's financial instruments comprise borrowings, cash and various items such as trade receivables and trade payables that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group does not trade in financial instruments. The main risks arising from the Group's financial instruments are described below.

Liquidity and Interest Rate Risk

The Group had net debt of £4.5m at the year end, comprising £4.8m debt less £0.3m cash.

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

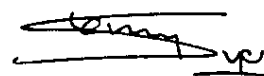
Credit Risk

The Group trades only with recognised, creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 16% of total receivables balances at 31 July 2010.

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
6 October 2010

Board of Directors

1 George Materna (57)

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

2 Adrian Gunn (45)

Chief Executive Officer
Adrian Gunn 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 on 1 February 2007 and heads the Executive Team

3 Tony Dyer (41)

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

4 Andy White (54)

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, having previously had a number of years' experience in the Marine sector.

5 Stephen Burke (50)

Non-Executive Director
(Chairman – Remuneration Committee)
Stephen has over 25 years' experience in the recruitment industry having joined Michael Page in 1981 after graduating from Durham University. He was appointed as a Director of Michael Page International in 1988 with responsibility for development of overseas businesses. He returned to the UK in 1996 and held two divisional Managing Director roles before being appointed Managing Director of Michael Page in the UK, and a Director of Michael Page International plc from 2001 until 2005. He has been a member of the Group Board since 2006.

6 Ric Piper (58)

Non-Executive Director
(Chairman – Audit Committee)
Ric Piper qualified as a Chartered Accountant in 1977. He held senior finance roles in ICI, Citicorp and Logica, becoming Finance Director of Logica (UK) in 1990. He was Group Finance Director of WS Atkins from 1993 to 2002. Since 2003 he has been involved at Board level and has advised on the growth and development of several companies. He is a Partner at Restoration Partners and on the board of a number of AIM-listed and privately owned companies. Ric is a member of the Financial Reporting Review Panel. He has been a member of the Group Board since 2006.

Executive Management

7 Keith Lewis (44)

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

8 Nigel Lynn (49)

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

9 Peter Collis (45)

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

10 David Rees (43)

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

Directors' Report

The Directors present their Annual Report together with the audited Financial Statements for the year ended 31 July 2010

These will be laid before shareholders at the Annual General Meeting (AGM) to be held at 12.00 hours on Friday 19 November 2010. Details of the business to be considered at the AGM together with an explanation of all the resolutions, are set out in the separate Notice of Meeting.

Principal Activities and Business Review

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

The principal activities of the Group and a full business review, including its performance during the year and its prospects for future development, are presented in the Chairman's Statement, the Chief Executive's Review and the Financial Review, and form part of this Directors' Report. The reviews are incorporated into this report by reference, together with the list of the principal subsidiary undertakings and the countries in which they operate (Note 13 to the Financial Statements).

Results and Dividends

The financial performance for the year including the Group income statement and the Group's financial position at the end of the year, is shown in the Financial Statements on pages 40 to 60 of this report.

In respect of the year ended 31 July 2010, an interim dividend of 5.0 pence per share was paid on 23 June 2010. The Directors have proposed a final dividend of 10.6 pence per share which, if approved by shareholders at the Annual General Meeting, to be held on Friday 19 November 2010, will be paid on 3 December 2010 to those shareholders registered on 5 November 2010.

Dividends Paid

	Paid on	2010 £'000	2009 £'000
10.6p per share	5 December 2008	–	2,462
5.0p per share	24 June 2008	–	1,164
10.6p per share	4 December 2009	2,468	–
5.0p per share	23 June 2010	1,165	–
		3,633	3,626

Dividends Proposed

	To be paid on	2010 £'000	2009 £'000
10.6p per share	4 December 2009	–	2,468
10.6p per share	3 December 2010	2,474	–
		2,474	2,468

Directors

The Directors who served during the period were:

Executive Directors

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

Non-Executive Directors
 George Materna (Chairman)
 Andrew White (Deputy Chairman)
 Stephen Burke
 Ric Piper

All the Directors served throughout the year

The biographical details of the Directors of the Company as at the date of this report are set out on page 20

In accordance with the Company's Articles of Association, one third of the Directors offer themselves for re-election at the forthcoming Annual General Meeting. The Board considers that the performance of these Directors proposed for re-election being George Materna and Ric Piper continues to be effective and that they demonstrate 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 on pages 33 to 37.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS), as adopted by the European Union. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these 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 applicable IFRSs have been followed, subject to any material departures disclosed and explained in the Financial Statements
- > prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 he ought to have taken as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Principal Risks

The Board's assessment of the Principal Risks and Uncertainties, the Group's policy and its mitigations are detailed on pages 26 to 27 of this report.

Substantial Shareholders

In addition to the Directors' interests shown in the Remuneration Report on pages 33 to 37, 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	33.75%
Octopus Investments Limited	9.07%
Paul Raine	7.88%
AXA Framlington	5.45%
Andrew White	4.68%
British Steel Pension Scheme	4.23%

Directors' Report continued

Corporate Governance

The Corporate Governance report is set out on pages 28 to 32. It 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.

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 £15,000 (2009: £7,000).

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

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

Employees

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

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 2010 it is estimated that 51% 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) and a Share Incentive Plan (SIP). The LTIP cascades through the organisation, with approximately 51% of staff eligible to participate, and the SIP is open to all staff. The Group also has a number of share options remaining to be exercised from its Enterprise Management Incentive Scheme (EMI).

Policy on the Payment of Creditors

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

No one supplier arrangement is considered to be essential to the business of the Group.

The Group had 9 creditor days (2009: 8 days) outstanding at 31 July 2010, 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 2010.

Health and Safety

The Group is committed to providing for the health, safety and welfare of all its employees and has established an Occupational Health & Safety Management System that complies with OHSAS 18001:2007. The Group also has procedures in place to comply with all legal and contractual obligations relevant to the Group's activities.

Quality

The Group is ISO 9001:2000 accredited. As one of the UK's leading specialist recruitment agencies, the Group is dedicated to quality and professionalism in the pursuit of achieving customer satisfaction and commercial goals.

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

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

Business Continuity

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

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' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events

Auditors

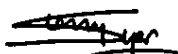
The Company's independent external auditor, Grant Thornton UK LLP, has expressed their willingness to continue in office and in accordance with section 489 of the Companies Act 2006 resolutions for their re-appointment and to authorise the Directors to determine their remuneration will be proposed at 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
6 October 2010

Cautionary Statement

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

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

Principal Risks and Uncertainties

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

Risk Area	Group Strategy	Mitigation								
Potential Impact										
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	<ul style="list-style-type: none">> Around 70% of the Group's NFI is recurring contract business across a broad range of sectors> The Group's client base largely consists of businesses working on long-term projects> The technical sector because of its project-based nature demands a flexible workforce which drives demand for contract labour								
UK Public Sector expenditure Currently around 43% of the Group's NFI is ultimately derived from UK Public Sector funding. Changes to public expenditure levels could have an impact on recruitment demand	The Group continually reviews its direct and indirect exposure to the Public Sector seeking to ensure a balanced and varied portfolio of Public Sector business	<ul style="list-style-type: none">> 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 on-going infrastructure projects								
Dependence on key clients Too great an exposure to one or a few clients can lead to an over reliance on those clients. In the event that any major client ceases to procure services from the Group, or such a client does not pay for services provided by the Group in a timely manner, this may have a material adverse effect on the Group's cash flow and prospects	The Group strives to maintain a broad spread of blue chip and Public Sector clients	<ul style="list-style-type: none">> The Group has over 1 500 fee paying clients> The Group is not over reliant on one client <table><tr><td>Top client</td><td>11% of Group NFI</td></tr><tr><td>Top 5 clients</td><td>27% of Group NFI</td></tr><tr><td>Top 10 clients</td><td>34% of Group NFI</td></tr><tr><td>Top 50 clients</td><td>54% of Group NFI</td></tr></table>	Top client	11% of Group NFI	Top 5 clients	27% of Group NFI	Top 10 clients	34% of Group NFI	Top 50 clients	54% of Group NFI
Top client	11% of Group NFI									
Top 5 clients	27% of Group NFI									
Top 10 clients	34% of Group NFI									
Top 50 clients	54% of Group NFI									
Competition The recruitment market is highly fragmented and competition is intense	The Board works under the ethos that whilst remaining competitive the business must retain its integrity, work in a professional manner and be as compliant as possible	<ul style="list-style-type: none">> The Board and Executive regularly meet to discuss and agree strategy to minimise this risk> The Group has improved its Bids and Tenders capability to ensure that it maximises opportunities within the marketplace> The Group undertakes a regular client review framework seeking to ensure it minimises the risk of losing clients to competitors								
Investment in new sectors and geographical markets Failure to expand into new markets could result in a business growing within a specific sector and eventually reaching a saturation point	The Group continually seeks to expand the remit of its services to ensure that whilst it aims for significant market penetration in each market, the overall market it supplies is expanding	<ul style="list-style-type: none">> The Group has expanded its technical target market by opening an operation in Germany, one of the largest technical economies, and is looking into other potential geographical locations> The Group has launched two brands in the Professional Services and Education markets> The Group ensures that it does not lose its niche focus, so each team has specialist Consultants working in dedicated fields in specific sectors who can be considered market experts								
Shortage of skilled candidates In a candidate shortage marketplace there is increased competition and whilst easing during the economic slowdown, there are still shortages of highly skilled engineers in many sectors	The Group focuses heavily on candidate attraction to ensure we have the best candidates available to our clients in a timely manner	<ul style="list-style-type: none">> The Group employs a Resource team who review the internet job boards for the most up-to-date candidates> Search Engine Optimisation seeks to ensure that matchtech.com is one of the primary results returned from internet searches for jobs in our sectors, driving candidates directly to our database> All candidates are stored on our website, meaning our Consultants are only using one search tool, thereby improving the chance of us delivering the right candidate to the client first								

Risk Area	Group Strategy	Mitigation
Potential Impact		
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 Group actively seeks to ensure it operates well within its current funding facilities	<ul style="list-style-type: none"> > We maintain a strong balance sheet with low gearing with net debt as at 31 July 2010 of only £4.5m > We have long standing banking relationships and regular discussions to ensure we have the banks backing to fund strategic plans > We have procedures to check the credit worthiness of new clients with external agencies and regularly reviewed credit limits in place > We work to develop close long-term relationships with our clients
Adequacy of insurance coverage A failure to hold sufficient insurance coverage could result in the Group having to fund uninsured losses	The Group aims to hold prudent levels of insurance coverage to minimise risks to stakeholders	<ul style="list-style-type: none"> > The Group maintains prudent levels of insurance cover from a range of insurers > The Group's Legal and Compliance team regularly reviews our insurance levels as well as identifying new areas of uninsured risk > The Group reviews areas where it is not possible to obtain or where we have elected not to obtain insurance and considers alternative ways of reducing our risk to an acceptable level > The Group had a specific engineering design services contract that ceased on 31 October 2008 where it supplied for the construction of aircraft tailplanes and under which the Group took more responsibility for the performance and output of the services than otherwise may be the case. The contract and the Group have an ongoing aviation insurance liability the cost of which has been accrued into the income statement. The Group does not intend to enter into any further contract of this nature
Integrity of financial controls A failure to maintain sufficient financial controls may lead to reputational damage financial loss or incorrect financial information used to manage the business	The Group seeks to ensure that it has good financial controls at all times	<ul style="list-style-type: none"> > The Group maintains a financial control framework which is reviewed and audited annually > The controls include the Board review of the Group's performance each month > An external audit is performed on the Financial Statements
Compliance and regulatory obligations Navigating the business through the large number of compliance and regulatory changes has become more complicated. Non-compliance places risk upon clients and the Group	The Group employs its own in-house compliance team who constantly review new regulations and monitor our internal processes and procedures to minimise the chance of non-conformance and the risk to all stakeholders	<ul style="list-style-type: none"> > The Group works closely with its in-house compliance team its financial and legal advisors and recruitment governing bodies, the Recruitment and Employment Confederation (REC) and the Association of Professional Staffing Companies (APSCo) to ensure that the business is up-to-date on these issues and that the appropriate systems and processes are in place
Strategic and Operational		
Loss of key management and staff Failure to attract and retain key staff could lead to a lack of necessary expertise or continuity to execute strategy	The Group has a strong record of developing and retaining key staff whilst seeking to add additional external talent	<ul style="list-style-type: none"> > The Group gives its staff a clear structured career path within Group businesses whilst maintaining flexibility by allowing talent to be utilised across the Group > By maintaining our niche focus we develop our business through empowering our talented staff to specialise and grow their own parts of the business > The Group maintains short lines of communication to senior managers and Group Directors > The Group holds to its core values of Energy Enthusiasm Honesty Integrity Teamwork and Fun creating a vibrant and cohesive working environment
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	<ul style="list-style-type: none"> > The Group employs its own team of in-house developers to ensure its in-house recruitment software is focused on streamlining the recruitment process and providing high levels of service delivery > Reliance on external software and its providers is minimised down to specialist software only > Data security is taken very seriously. We have in place procedures on how to handle clients' candidates and staff data including the use of secure networks. Appropriate building security is in place to protect confidential data and off-site storage of client data and use of cyber protection of both hardware and software applications have been implemented. In addition training our staff so that they understand their responsibilities is an important mitigating measure
Loss of business continuity Operating from one site can lead to a risk from loss of business continuity	The Group regularly reviews its business continuity and has a dedicated Business Continuity Manager	<ul style="list-style-type: none"> > The Group's business continuity strategy includes a highly resilient infrastructure within the Group's three-building major site in Whiteley Hampshire > The Group has also contracted a further Disaster Recovery facility where our staff would relocate to in the event of a major disaster > These processes have been tested and audited and the Group has achieved accreditation to BS25999 Business Continuity Standard

Corporate Governance

The Board is committed to maintaining its high standards of Corporate Governance, managing the Group in an efficient, effective, entrepreneurial and ethical manner for the benefit of shareholders over the longer term

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

The Company seeks to comply with the Corporate Governance Guidelines for Smaller Quoted Companies as published by the Quoted Companies Alliance (as far as applicable). In this regard, since the year-end, a new version of the Guide has been published by the Quoted Companies Alliance. In the first half the current financial year, the Board will be reviewing the new Guide and any implications for the Company

Board's Management Objectives

Entrepreneurial Management

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

Efficient Management

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

Effective Management

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

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

Ethical Management

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

The Board, Including Performance Evaluation

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

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

The Chairman and the Non-Executive Directors meet without the Executive Directors present at least once a year. The Chairman had no other significant commitments in the two years ended 31 July 2010.

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 accordance with the Company's Articles of Association, one third of the Board is required to retire by rotation each year. In addition, all those appointed during the year will stand for re-election at the next Annual General Meeting.

The Board 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.

In the previous financial year 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 have been considered by the Board and appropriate actions were identified and have been implemented.

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

Committees of the Board

The Board has three established Committees for Audit, Nominations and Remuneration. The Committees have terms of reference which are reviewed at least bi-annually by the Board, and revised as deemed necessary and appropriate. The latest review was in 2009. Copies of the Terms of Reference are available on request from the Company Secretary.

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

Audit Committee

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

Ric Piper (pictured above)

Stephen Burke

Key Responsibilities

- > 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

The Committee meets the independent auditor privately at each scheduled meeting. The independent auditor has unrestricted access to the Committee and its Chairman.

Corporate Governance continued

Nominations Committee

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

George Materna (pictured above)

Ric Piper

Stephen Burke

Key Responsibilities

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

The Nominations Committee has full power and authority to carry out a formal selection process of candidates, before proposing new appointments to the Board

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

Remuneration Committee

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

Stephen Burke (pictured above)

Ric Piper

Key Responsibilities

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

Attendance Register

Attendance in the year ended 31 July 2010 was

Attendance	Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Max	Actual	Max	Actual	Max	Actual	Max	Actual
George Materna	12	12					3	3
Adrian Gunn	12	12						
Tony Dyer	12	12						
Ric Piper	12	11	2	2	4	3	3	3
Stephen Burke	12	10	2	2	4	4	3	3
Andrew White	12	11						

Non-Executive Directors

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

Copies of the letters of appointment will be available for inspection prior to and during the AGM, and are also available for inspection at the Company's registered office during normal business hours. The remuneration of the Chairman and the Non-Executive Directors is determined by the Board within the limits set out in the articles of association, including reviewing the level of fees paid by comparator companies.

The Chairman and the Non-Executive Directors do not participate in any meeting at which discussions in respect of matters relating to their own position take place. There is currently no Senior Independent Director although there is a deputy Chairman. The Board will review annually the need for a Senior Independent Director.

Internal Control

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

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

Such a system of internal control can only be designed to manage, rather than eliminate risk of failure to achieve business objectives, and provide reasonable but not absolute, assurance against material misstatement and loss.

The Board confirms that there is a continuing process for identifying, evaluating and managing the risks faced by the Group, with further improvements planned for the current financial year. The Audit Committee and the Board review at least annually whether an internal audit function is required, and will continue to do so this year.

A separate report on Principal risks and uncertainties is on page 26.

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

Group Culture

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

Group Organisation and Performance

- > The Board focuses mainly on strategic issues, senior management and financial performance. The Group Executive concentrates on operational performance, operational decision making and the formulation of strategic proposals to the Board.
- > The Board determines how the Chief Executive Officer operates within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size or type, are undertaken only after Board review.

Risk Management Policy

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

Corporate Policies

- > The Board has introduced a range of policies for the Company to comply with which it constantly monitors, including policies on 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.

Control Environment

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

Corporate Governance continued

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

- > The external audit is an important independent control.
- > The appointment of the independent external auditor is approved by shareholders annually. The independent external auditor's audit of the Financial Statements is conducted in accordance with international standards on auditing issued by the Auditing Practices Board. The independent auditor, currently Grant Thornton UK LLP, provides the following:
 - > 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

Grant Thornton UK LLP has been the Company's independent auditor since it was admitted to AIM in 2006. The Audit Committee considers that the relationship with the independent auditor is working well and remains satisfied with its effectiveness. Accordingly, it has not considered it necessary to date to require the firm to tender for the audit work, although it has considered its appointment on an annual basis. There are no contractual obligations restricting the Company's choice of independent auditor.

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

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

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

The independent external auditor also operates procedures designed to safeguard their objectivity and independence. These include the periodic rotation of audit partner, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff. The independent external auditor reports to the Committee on matters including independence and non-audit work on an annual basis.

Relations with Shareholders

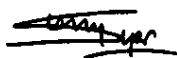
The Board regards effective communication with shareholders as key. Relations with shareholders are managed principally by the Chief Executive Officer and Chief Financial Officer. Meetings are held regularly throughout the year with institutional investors, fund managers and analysts.

The Chairman, Deputy Chairman and other Non-Executive Directors make themselves available for meetings with major shareholders. This provides shareholders with the opportunity to take up with these individuals any issue they feel unable to raise with the Chief Executive Officer or Chief Financial Officer. The Company's shareholders are invited to attend the AGM at which all Directors are present.

The Non-Executive Directors are also kept informed of the views of shareholders, with the Executive Directors providing updates on investor meetings. The Group's broker provides briefings to the Board on shareholder opinions and compiles independent feedback from investor meetings.

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

Approved by the Board and signed on its behalf by



Tony Dyer
Chief Financial Officer
6 October 2010

Directors' Remuneration

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

As Matchtech Group plc is an AIM-listed company rather than a fully listed company, it is not required to disclose all the information in the Remuneration Committee Report, but the Board has chosen to do so as a voluntary disclosure. As such, the Auditor is not required to and has not, except where indicated, audited the information included in the Remuneration Committee Report. The audited information meets the requirements of the changes to the AIM Rule 19, effective February 2010.

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

Scope and Membership of Remuneration Committee

The Remuneration Committee comprising only independent Non-Executive Directors, meets not less than twice a year. The Chairman attends the meetings as required, except when his own remuneration is under consideration.

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

It receives advice from independent remuneration consultants and makes comparisons with similar organisations. In 2010 advice was received from Deloitte LLP and PriceWaterhouseCoopers LLP.

The Committee has continued to review the remuneration of the Executive Directors with regard to the need to maintain a balance between the constituent elements of salary, incentives and other benefits. During the year the Committee instructed Deloitte LLP to undertake an independent benchmarking review of Board remuneration which reported that the salaries and benefits were commensurate with market comparisons.

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

Remuneration Policy

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

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

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

The remuneration of the Non-Executive Directors is determined by the Board. The Non-Executive Directors do not participate in any of the bonus or share option schemes.

The remuneration agreed by the Committee for the Executive Directors contains the following elements: base salary and benefits, profit bonus, annual profit growth bonus, share options conditional upon performance, share incentive plan and pension benefits.

Directors' Remuneration continued

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

Base Salary and Benefits

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

Profit Bonus

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

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

Annual Profit Growth Bonus

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

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

Profit growth bands	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 £11.3m

Share Options Conditional Upon Performance

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

Long Term Incentive Plan (LTIP)

The Executive plc Directors receive an annual grant of zero-priced share options. The grant for the year, made on 18 January 2010, was over 25,000 shares for the Chief Executive Officer and 16,000 shares for the Chief Financial Officer.

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

Total Shareholder Return (TSR)

The return on a Group's share over the period from the date of grant to the third anniversary of the date of grant, exceeding the median return of the comparator group of listed recruitment companies.

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

The comparator group of 22 companies for the 2010 LTIP are Adecco SA, InterQuest Group plc, Work Group plc, Capita Group plc, Michael Page International plc, Impellam plc, CPL Resources plc, Morson Group plc, The Kellan Group plc, Harvey Nash Group plc, OPD Group plc, Empresaria Group plc, Hays plc, Prime People plc, The ReThink Group plc, Healthcare Locums plc, Robert Walters plc, Penna Consulting plc, Hexagon Human Capital plc, Staffline Recruitment Group plc, Hydrogen Group plc and Sthree plc.

For the purposes of this report the Group's TSR performance has been calculated using the three months to 29 September 2010.

LTIP Grant	18 January 2010
Upper Quartile	23%
Median	4%
Lower Quartile	(25%)
Matchtech	(15%)
Ranking	Below Median

Source: PricewaterhouseCoopers

Earnings Per Share Growth

If this TSR Underpin has been satisfied, then the number of shares which shall be capable of release at the end of the Holding Period shall be in accordance with the following table.

Cumulative Earnings per Share for the three years ending 31 July 2010, 2011 and 2012	% of Maximum Number of Shares
Below 82.38 pence per share	0%
82.38 pence per share	25%
82.39–100.67 pence per share	straight line vesting between 25% and 100%
100.67 pence per share	100%

The current status of performance against this target is Earnings per Share for the year to 31 July 2010 of 25.96p (26% of cumulative target for maximum vesting).

Deferred Share Bonus Plan (DSBP)

The Executive plc Directors receive an entitlement to a future grant of zero-priced share options based upon achieving a one year Earnings Per Share performance condition. Upon satisfaction of that performance condition, a zero-priced share option will be granted over the appropriate number of shares. The option granted will be exercisable 50% on the first anniversary of the date of grant of the Deferred Share Award, and 50% on the second anniversary, subject to continued employment with the Company or other Member of the Group.

The entitlement for the year, made on 18 January 2010, was over 25,000 shares for the Chief Executive Officer and 16,000 shares for the Chief Financial Officer.

Earnings Per Share Growth

Earnings per Share for the year ending 31 July 2010

% of Maximum Number of Shares

Below 24.41 pence per share	0%
24.41 pence per share	25%
24.41–28.98 pence per share	straight line vesting between 25% and 100%
28.98 pence per share	100%

Earnings per share for the year ending 31 July 2010 were 25.96 pence. Accordingly 50% of the Deferred Share Bonus Award will be granted as a zero priced share option.

Share Incentive Plan

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

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

The Group will award one free share for every share that is purchased ('Match shares'). Staff will receive 'Match' shares at the end of a 3-year holding period, subject to remaining employed within the Group and the 'Invest' shares remaining in the plan throughout the holding period.

On 31 July 2010, the following shares were held in the scheme by the Executive Directors:

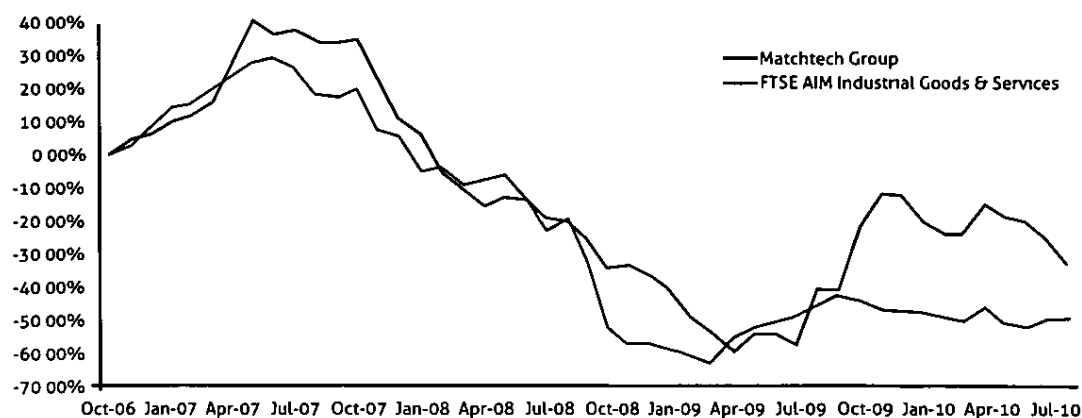
Director	Shares purchased under SIP	Shares awarded under matching element of SIP
Adrian Gunn	2,496	2,030
Tony Dyer	2,496	2,030
Total	4,992	4,060

Pension

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

TSR Performance for the Year Against Market Comparator

The graph below illustrates the Total Shareholder Return of the Group for period 27 October 2006 (being the Company's date of Admission to AIM) to 31 July 2010, for both the Group and the FTSE AIM Industrial Goods and Services Index, which is considered the most appropriate comparator index, as it is the index in which the Group appears and is also used for comparing pay and benefit levels.

Total Shareholder Return from October 2006

Source: PricewaterhouseCoopers

Directors' Remuneration continued

Audited Information

Directors' Remuneration

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

Director	Salaries & Fees £ 000	Pension £ 000	Benefits £ 000	Profit Bonus £ 000	Profit Growth Bonus £ 000	2010 Total £ 000	2009 Total £ 000
George Materna	65	20	2	–	–	87	96
Adrian Gunn	145	47	12	43	–	247	259
Tony Dyer	117	36	14	34	–	201	211
Andrew White	38	–	2	–	–	40	38
Ric Piper	38	–	–	–	–	38	38
Stephen Burke	38	–	–	–	–	38	38
Paul Raine (resigned 6 February 2009)	–	–	–	–	–	–	238
Total	441	103	30	77	–	651	918

* Benefits in kind include car allowances medical and life insurance

Directors' Interests in Shares and Share Options

The Directors' interests in the share capital of the Group at 31 July 2010 are shown below. There are no changes to this information as at the date of this report.

Shares

Director	Ordinary shares at 1 August 2009	Change in year	Ordinary shares at 1 August 2010	% of share capital
George Materna	7,877,405	–	7,877,405	33.75%
Adrian Gunn	403,838	–	403,838	1.73%
Tony Dyer	291,521	–	291,521	1.25%
Andrew White	1,093,032	–	1,093,032	4.68%

Share Options and Deferred Bonus Share Options

Director	As at 1 August 2009	Options Granted	Options Lapsed	As at 1 August 2010	Date at which exercisable	Expiry Date
Adrian Gunn						
LTIP – 15 November 2007	25,944	–	(25,944)	–		
LTIP – 19 November 2008	45,455	–	(45,455)	–		
LTIP – 18 January 2010	–	25,000	–	25,000	18 January 2013	18 January 2020
Deferred Bonus to be granted	–	12,500	–	12,500		
Tony Dyer						
LTIP – 15 November 2007	18,868	–	(18,868)	–		
LTIP – 19 November 2008	36,364	–	(36,364)	–		
LTIP – 18 January 2010	–	16,000	–	16,000	18 January 2013	18 January 2020
Deferred Bonus to be granted	–	8,000	–	8,000		

The deferred share bonus options are to be granted to senior employees after publication of the results for the year ended 31 July 2010, but entitlement to the options was given on 18 January 2010. The number of options to be granted was subject to the achievement of performance targets in the current period, which have now crystallised, and they have therefore been accounted for in the current year.

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

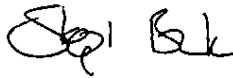
The IFRS 2 credits in the year for all LTIPs and deferred bonus option relating to the Directors were £11,000 (2009 credit £42,000) in respect of Adrian Gunn, and £11,000 (2009 credit of £41,000) in respect of Tony Dyer.

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 2010, the closing market price of Matchtech Group plc ordinary shares was 213.5 pence. The highest and lowest prices of these shares during the year were 260.0 pence on 4, 7 and 8 December 2009 and 127.5 pence on 3, 4 and 5 August 2009 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
6 October 2010

Independent Auditor's Report

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

We have audited the Financial Statements of Matchtech Group plc for the year ended 31 July 2010 which comprise the Group and parent company balance sheets, the Group consolidated income statement, the Group statement of comprehensive income, the Group and parent company cash flow statements, the Group and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union 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 Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 23, 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 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/UKNP.

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 2010 and of the Group's profit for the year then ended,
- > the Group Financial Statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- > the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 and
- > the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements

Matters on which we are required to report by exception

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

- > adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- > the parent company financial statements are not in agreement with the accounting records and returns, or
- > certain disclosures of Directors' remuneration specified by law are not made, or
- > we have not received all the information and explanations we require for our audit

**Norman Armstrong**

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
6 October 2010

Consolidated Income Statement

for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Revenue		264,431	269,581
Cost of Sales		(238,274)	(239,314)
GROSS PROFIT	2	26,157	30,267
Administrative expenses		(17,340)	(18,622)
OPERATING PROFIT	3	8,817	11,645
Finance income		6	9
Finance cost	5	(248)	(376)
PROFIT BEFORE TAX		8,575	11,278
Income tax expense	8	(2,436)	(3,288)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		6,139	7,990

EARNINGS PER ORDINARY SHARE

	Note	2010 pence	2009 pence
Basic	9	26.35	34.37
Diluted	9	25.96	34.35

Statement of Comprehensive Income

for the year ended 31 July 2010

	Note	2010 £'000	2009 £'000
PROFIT FOR THE YEAR		6,139	7,990
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		18	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR		18	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		6,157	7,990

Statement of Changes in Equity

for the year ended 31 July 2010

A) Group

	Share capital £ 000	Share premium £ 000	Translation of foreign operations £ 000	Merger reserve £ 000	Share-based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 August 2008	232	3 045	–	224	794	12,771	17 066
Dividends in the year	–	–	–	–	–	(3,626)	(3,626)
Deferred tax movement re share options	–	–	–	–	–	(39)	(39)
IFRS 2 credit	–	–	–	–	(156)	–	(156)
IFRS 2 reserves transfer	–	–	–	–	(88)	88	–
Transactions with owners	–	–	–	–	(244)	(3,577)	(3,821)
Profit and total comprehensive income for the year	–	–	–	–	–	7,990	7,990
At 31 July 2009	232	3,045	–	224	550	17,184	21,235
At 1 August 2009	232	3 045	–	224	550	17,184	21,235
Dividends in the year	–	–	–	–	–	(3,633)	(3 633)
Deferred tax movement re share options	–	–	–	–	–	4	4
IFRS 2 credit	–	–	–	–	(145)	–	(145)
IFRS 2 reserves transfer	–	–	–	–	61	(61)	–
Shares issued	1	53	–	–	–	–	54
Transactions with owners	1	53	–	–	(84)	(3,690)	(3 720)
Profit for the year	–	–	–	–	–	6,139	6 139
Other comprehensive income	–	–	18	–	–	–	18
Total comprehensive income	–	–	18	–	–	6,139	6,157
At 31 July 2010	233	3,098	18	224	466	19,633	23,672

B) Company

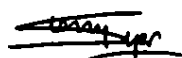
	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 August 2008	232	3,045	59	3,336
Dividends paid in the year	–	–	(3,626)	(3 626)
Transactions with owners	–	–	(3,626)	(3,626)
Profit and total comprehensive income for the year	–	–	3,632	3,632
At 31 July 2009	232	3,045	65	3,342
At 1 August 2009	232	3,045	65	3,342
Dividends paid in the year	–	–	(3 633)	(3,633)
Shares issued	1	53	–	54
Transactions with owners	1	53	(3,633)	(3,579)
Profit and total comprehensive income for the year	–	–	3 634	3,634
At 31 July 2010	233	3,098	66	3,397

Balance Sheets

for the year ended 31 July 2010

		GROUP		COMPANY	
	Note	2010 £'000	2009 £ 000	2010 £'000	2009 £ 000
NON-CURRENT ASSETS					
Intangible assets	10	111	151	–	–
Property plant and equipment	11	1,627	1,546	–	–
Investments	13	–	–	290	272
Deferred tax asset	12	119	99	–	–
Total Non-Current Assets		1,857	1,796	290	272
CURRENT ASSETS					
Trade and other receivables	14	41,038	32 903	2,991	2,989
Cash and cash equivalents		272	307	116	82
Total current assets		41,310	33,210	3,107	3,071
TOTAL ASSETS		43,167	35,006	3,397	3,343
LIABILITIES					
Current liabilities					
Trade and other payables	15	(13,702)	(10,933)	–	–
Current tax liability		(1,010)	(1,368)	–	(1)
Bank loans and overdrafts	20	(4,783)	(1,470)	–	–
TOTAL LIABILITIES		(19,495)	(13,771)	–	(1)
NET ASSETS		23,672	21,235	3,397	3 342
EQUITY					
Called-up equity share capital	18	233	232	233	232
Share premium account		3,098	3,045	3,098	3,045
Merger reserve		224	224	–	–
Share-based payment reserve		466	550	–	–
Translation of foreign operations		18	–	–	–
Retained earnings		19,633	17,184	66	65
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		23,672	21,235	3,397	3,342

These Financial Statements were approved by the Board of Directors on 6th October 2010, and signed on their behalf by



Tony Dyer
Chief Financial Officer

Consolidated Cash Flow Statement

for the year ended 31 July 2010

	GROUP		COMPANY	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation	6,139	7,990	3,634	3,632
Adjustments for				
Depreciation and amortisation	503	626	-	-
(Profit)/loss on disposal of property, plant and equipment	(4)	2	-	-
Interest income	(6)	(9)	-	(4)
Interest expense	248	376	-	-
Taxation expense recognised in profit and loss	2,436	3,288	-	2
Decrease/(increase) in trade and other receivables	(8,134)	5,662	-	(109)
(Decrease)/increase in trade and other payables	2,770	(7,997)	-	-
Unrealised foreign exchange losses/(gains) net	20	-	-	-
Share-based payment (credit)/charge	(145)	(156)	-	-
Investment income	-	-	(3,918)	(3,626)
Cash generated from operations	3,827	9,782	(284)	(105)
Interest paid	(248)	(376)	-	-
Income taxes paid	(2,811)	(3,554)	(1)	(6)
NET CASH FROM OPERATING ACTIVITIES	768	5,852	(285)	(111)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of plant and equipment	(533)	(340)	-	-
Purchase of intangible assets	(23)	(39)	-	-
Investment in subsidiaries	-	-	(18)	(22)
Proceeds from sale of plant	15	33	-	-
Interest received	6	9	-	4
Dividend received	-	-	3,918	3,626
NET CASH USED IN INVESTING ACTIVITIES	(535)	(337)	3,900	3,608
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital	52	-	52	-
Proceeds from/(repayments to) invoice discounting facility	3,247	(1,769)	-	-
Increase in overdraft	66	-	-	-
Dividends paid	(3,633)	(3,626)	(3,633)	(3,626)
NET CASH USED IN FINANCING	(268)	(5,395)	(3,581)	(3,626)
Effects of exchange rates on cash and cash equivalents	-	-	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(35)	120	34	(129)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	307	187	82	211
CASH AND CASH EQUIVALENTS AT END OF YEAR	272	307	116	82

Notes

forming part of the financial statements

1 The Group and Company and Significant Accounting Policies

i The Business and Address of the Group

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

ii Basis of Preparation of the Financial Statements

The Financial Statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union (EU) and which are effective at 31 July 2010.

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' statement 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 2010 are:

- > IFRS 8 'Operating Segments': This new standard had an impact on the nature and extent of the notes in the Group's Financial Statements regarding segmental reporting.
- > IAS 1 'Presentation of Financial Statements – Revised': This amendment had an impact on the presentation of the primary statements in the Group's Financial Statements, specifically the introduction of the statement of comprehensive income.

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 balance sheet in the current or prior periods, and as such an additional comparative balance sheet 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)
IFRS 9	Financial instruments	1 January 2013
IAS 24	Related party disclosures	1 January 2011
IFRS 2	Group cash-settled share-based payment transactions	1 January 2010
IAS 32	Classification of rights issues	1 February 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
IFRS improvements	Various	Various

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

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

v Basis of Consolidation

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

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of

whether or not they were recorded in the Financial Statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with Group accounting policies.

Transactions between Group companies are eliminated on consolidation.

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.

vii Property, Plant and Equipment

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

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

Motor vehicles	25.00%	Reducing balance
Computer equipment	25.00%	Straight line
Office equipment	12.50%	Straight line

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

viii Intangible Assets

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

ix Disposal of Assets

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

x Operating Lease Agreements

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

xi Taxation

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

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

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

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

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

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.

Notes

forming part of the financial statements continued

1 The Group and Company and Significant Accounting Policies continued

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 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 balance sheet 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 balance sheet 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 balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

The assets and liabilities in the Financial Statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to '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, 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 on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgements

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

Notes

forming part of the financial statements continued

1 The Group and Company and Significant Accounting Policies continued

Estimated Useful Lives of Property, Plant and Equipment

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

Impairment Loss of Trade and Other Receivables

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

Share-Based Payments

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

xxii Employee Benefits

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

2 Segmental Information

The 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

All amounts in £ 000	Engineering		Built Environment		Professional Services		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	161,135	153,170	58,933	68,706	44,363	47,705	264,431	269,581
Gross profit	14,800	15,864	5,469	7,441	5,888	6,962	26,157	30,267
Operating profit	6,181	6,853	1,997	3,013	639	1,779	8,817	11,645
Finance cost, net	(153)	(197)	(50)	(95)	(39)	(75)	(242)	(367)
Profit before tax	6,028	6,656	1,947	2,918	600	1,704	8,575	11,278
Depreciation and amortisation	245	315	121	158	138	153	504	626
Segment net assets	25,408	16,413	8,051	8,389	7,056	7,821	40,515	32,623
Unallocated net liabilities							(16,843)	(11,388)
Total net assets							23,672	21,235

There are no intersegment sales between the reportable segments. Each segment derives its revenues from both temporary and permanent placements.

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, as shown in Note 14, 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.

Throughout the year ended 31 July 2010 the Group provided recruitment process outsourcing under the elemense brand. This did not give rise to an additional segment as all the activities were carried out within the segments outlined above and were classified as such in internal reporting.

The Group's German operation, Matchtech GmbH, was established in August 2009. Its performance is included in the Engineering segment above and disclosed separately in the geographical information opposite.

Geographical Information

All amounts in £ 000	United Kingdom		Germany		Total	
	2010	2009	2010	2009	2010	2009
Revenue	263,991	269,581	440	–	264,431	269,581
Gross profit	25,992	30,267	165	–	26,157	30,267
Operating profit	9,195	11,645	(378)	–	8,817	11,645
Finance cost, net	(235)	(367)	(7)	–	(242)	(367)
Profit before tax	8,960	11,278	(385)	–	8,575	11,278
Depreciation and amortisation	504	626	–	–	504	626
Non-current assets	1,852	1,796	5	–	1,857	1,796
Net current assets	21,726	19,439	89	–	21,815	19,439
Total net assets	23,577	21,235	94	–	23,672	21,235

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

Largest Customers

During the year revenues of £36,179,000 (2009: £21,834,000) 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 the Group Structure

On 1 August 2010 the Group was restructured.

Matchtech will comprise of the Engineering and Built Environment segments reported above, together with the IT disciplines reported within the Professional Services segment. elemense will be created as a profit centre and will charge other Group companies for its services provided to the Group. The new companies Barclay Meade and Alderwood Education will cover the remaining disciplines included in the Professional Services segment reported above.

The following disclosure is an indicative representation of the reported results as if the new structure been implemented throughout the year to 31 July 2010 and does not constitute segmental reporting as defined by IFRS 8.

All amounts in £ 000	Matchtech	Professional Services	elemense	Total
Revenue	235,792	18,352	10,287	264,431
Internal revenue and charges	(1,046)	–	1,046	–
Gross profit	21,277	3,080	1,800	26,157
Operating profit	8,463	269	85	8,817
Finance cost, net	(218)	(5)	(19)	(242)
Profit before tax	8,245	264	66	8,575
Depreciation and amortisation	395	69	40	504
Segment net assets	36,117	2,768	1,630	40,515
Unallocated net liabilities				(16,843)
Total net assets				23,672

Matchtech includes Matchtech Group UK Ltd and Matchtech GmbH. Professional Services includes Barclay Meade Ltd and Alderwood Education Ltd. elemense is exclusively elemense Ltd.

The operating profit and finance costs have been estimated using staff headcounts as the basis for apportioning costs.

Notes

forming part of the financial statements continued

3 Operating Profit

Operating profit is stated after charging

	2010 £'000	2009 £'000
Depreciation	441	568
Amortisation	63	58
Loss on disposal of property, plant and equipment	4	2
Auditors' remuneration		
– fees payable for the audit of the Financial Statements	40	40
– Non audit services	5	5
taxation		
other services pursuant to legislation	13	18
Operating lease costs		
– Plant and machinery	6	11
– Land and buildings	517	510
Share-based payment credit	(145)	(156)
Net loss on foreign currency translation	30	5

4 Particulars of Employees

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

	2010 No	2009 No
Selling	204	229
Administration	66	60
Directors	6	7
Total	276	296

The aggregate payroll costs of the above were

	2010 £'000	2009 £'000
Selling	10,296	11,217
Administration	1,142	1,207
Directors	786	899
Total	12,224	13,323

Disclosure of the remuneration of key management personnel, as required by IAS 24, is detailed below. Disclosure of the remuneration of the statutory Directors is further detailed in the audited part of the Directors' Remuneration Report on pages 33 to 37

	2010 £'000	2009 £'000
Short-term employee benefits	927	746
Post employment benefits	163	172
Share-based payments	(45)	(83)
Total	1,045	835

In the prior year only the statutory Directors met the definition of key management personnel per IAS 24. In the current year, due to changes in the internal structure and the planned expansion of the Group, the number of employees meeting the definition of key management personnel has increased and now includes those who serve on the Group Executive Team

5 Finance Costs

	2010 £'000	2009 £'000
Bank interest payable	248	376

6 Dividends

	2010 £'000	2009 £'000
Equity dividends paid during the year at 15.6 pence per share (2009: 15.6 pence)	3,633	3,626
Equity dividends proposed after the year-end (not recognised as a liability) at 10.6 pence per share (2009: 10.6 pence)	2,474	2,467

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

7 Parent Company Profit

	2010 £'000	2009 £'000
The amount of profit dealt with in the accounts of the Company is	3,634	3,632

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

	2010 £'000	2009 £'000
Current tax		
UK corporation tax	2,436	3,128
Prior year under/(over) provision	16	6
	2,452	3,134
Deferred tax (Note 12)	(16)	154
Income tax expense	2,436	3,288

UK corporation tax has been charged at 28% (2009: 28%)

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

	2010 £'000	2009 £'000
Profit before tax	8,575	11,278
Profit before tax multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	2,401	3,158
Expenses not (chargeable)/deductible for tax purposes	(24)	23
Deferred tax asset not provided for due to fall in share price	-	155
Enhanced R&D tax relief	(54)	(54)
Adjustments to tax charge in respect of previous periods	16	6
Overseas losses not provided for	97	-
Total tax charge for period	2,436	3,288

Tax charge/(credit) recognised directly in equity

	2010 £'000	2009 £'000
Deferred tax recognised directly in equity	4	(39)
Total tax recognised directly in equity	4	(39)

Notes

forming part of the financial statements continued

9 Earnings Per Share

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

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

The earnings per share information has been calculated as follows

	2010 £'000	2009 £'000
Profit after tax attributable to ordinary shareholders	6,139	7,990
	2010 '000	2009 '000
Weighted average number of ordinary shares in issue	23,296	23,244
Effect of dilutive potential ordinary shares	349	14
Total	23,645	23,258
	2010 pence	2009 pence
Earnings per ordinary share – basic	26.35	34.37
– diluted	25.96	34.35

10 Intangible Assets

Group		Software licences £'000
COST	At 1 August 2008	273
	Additions	39
	At 1 August 2009	312
	Additions	23
	At 31 July 2010	335
AMORTISATION	At 1 August 2008	103
	Charge for the year	58
	At 1 August 2009	161
	Charge for the year	63
	At 31 July 2010	224
NET BOOK VALUE	At 31 July 2009	151
	At 31 July 2010	111

11 Property, Plant and Equipment

Group		Motor vehicles £ 000	Office equipment £ 000	Computer equipment £ 000	Total £ 000
COST	At 1 August 2008	1,724	1,387	864	3,975
	Additions	271	26	43	340
	Disposals	(140)	(11)	(272)	(423)
	At 1 August 2009	1,855	1,402	635	3,892
	Additions	192	194	147	533
	Disposals	(34)	–	(6)	(40)
	At 31 July 2010	2,013	1,596	776	4,385
DEPRECIATION	At 1 August 2008	813	796	557	2,166
	Charge for the year	285	151	132	568
	Released on disposal	(105)	(11)	(272)	(388)
	At 1 August 2009	993	936	417	2,346
	Charge for the year	226	93	122	441
	Released on disposal	(28)	–	(1)	(29)
	At 31 July 2010	1,191	1,029	538	2,758
NET BOOK VALUE	At 31 July 2009	862	466	218	1,546
	At 31 July 2010	822	567	238	1,627

There were no capital commitments as at 31 July 2010 or 31 July 2009

12 Deferred Tax

The deferred tax asset is represented by

	Group	
	2010 £'000	2009 £ 000
Temporary difference on share-based payments		
At start of year	99	292
Recognised in income	16	(154)
Recognised in equity	4	(39)
At end of year	119	99

The rate of UK corporation tax applied to deferred tax calculations is 27% (2008 28%)

13 Investments

	Company	
	2010 £'000	2009 £ 000
Investment in Group companies at 1 August 2009	272	250
Movement in investment in Group companies – Investment in Matchtech BV on incorporation	18	–
Movement in investment in Group companies – Investment in Matchtech GmbH on incorporation	–	22
Investment in Group companies at 31 July 2010	290	272

Notes

forming part of the financial statements continued

13 Investments continued

Subsidiary Undertakings

Company	Country of Incorporation	Share Class	% held	Main Activities
Matchtech Group UK Ltd	United Kingdom	Ordinary	99.998%	Provision of recruitment consultancy
Matchtech Engineering Ltd	United Kingdom	Ordinary	100%	Non trading
Matchmaker Personnel Ltd	United Kingdom	Ordinary	100%	Non trading
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

14 Trade and Other Receivables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade receivables	40,515	32,623	-	-
Amounts owed by Group companies	-	-	2,991	2,989
Other receivables	129	76	-	-
Prepayments	394	204	-	-
Total	41,038	32,903	2,991	2,989

The amount due from Group undertakings in the Company balance sheet is considered to approximate to fair value

Days sales outstanding at the year end based upon the preceding three months revenue were 47.2 days (2009 41.7 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of debts.

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

Included in the Group's trade receivable balance are debtors with a carrying amount of £1,664,000 (2009 £2,660,000) 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	
	2010 £'000	2009 £'000
0-30 days	1,494	2,413
30-60 days	170	194
60-90 days	-	38
90+ days	-	15
Total	1,664	2,660

Movement in the allowance for doubtful debts

	Group	
	2010 £'000	2009 £'000
Balance at the beginning of the year	360	199
Impairment losses (reversed)/recognised	(12)	161
Balance at the end of the year	348	360

Ageing of impaired trade receivables

	Group	
	2010 £'000	2009 £'000
Not past due at reporting date	182	126
0-30 days	83	68
30-60 days	2	66
60-90 days	55	40
90+ days	26	60
Total	348	360

15 Trade and Other Payables

	Group	
	2010 £'000	2009 £'000
Trade payables	294	106
Taxation and Social Security	4,150	2,700
Other payables	6,116	5,326
Accruals and deferred income	3,142	2,801
Total	13,702	10,933

16 Financial Assets and Liabilities Balance Sheet Classification

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

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

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade and other receivables				
– Loan and receivables	40,644	32,699	2,991	2,989
Cash and cash equivalents				
– Loan and receivables	272	307	116	82
Total	40,916	33,006	3,107	3,071

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

	Group	
	2010 £'000	2009 £'000
Current liabilities		
Borrowings		
– Financial liabilities recorded at amortised cost	4,783	1,470
Trade and other payables		
– Financial liabilities recorded at amortised cost	9,552	8,233
Total	14,335	9,703

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

Notes

forming part of the financial statements continued

16 Financial Assets and Liabilities Balance Sheet Classification continued

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 Ltd. The facility held with Barclays Bank allows the Company to borrow up to 90% of its invoiced debtors up to a maximum of £25m. Interest is charged on borrowings at a rate of 2.25% over Barclays Bank base rate.

17 Commitments Under Operating Leases

At 31 July 2010 the Group had commitments to pay the following amounts under non-cancellable operating leases as set out below

			Group	
			2010 £ 000	2009 £ 000
Land/buildings	Payments falling due	within 1 year	580	532
		within 1 to 5 years	2,202	1 323
		after 5 years	1,016	784
Other	Payments falling due	within 1 year	43	11
		within 1 to 5 years	61	15

During the year the Group surrendered its right to the break clause in the lease on 1400 Parkway. As a result there are additional payments falling due in respect of this lease included in the analysis above.

18 Share Capital

Authorised Share Capital

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

Allotted, called up and fully paid

	Company	
	2010 £'000	2009 £'000
23,344,000 (2009: 23,273,000) ordinary shares of £0.01 each	233	232

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

Date	Ordinary shares issued	Share premium received pence per share	Consideration received £
At 1 August 2008	23,229,943		
30 November 2008	3,571	-	36
5 January 2009	2,218	-	22
30 January 2009	2,433	-	24
3 March 2009	2,847	-	28
31 March 2009	3,050	-	31
23 April 2009	19,469	-	195
5 May 2009	3,593	-	36
2 June 2009	2,912	-	29
3 July 2009	2,944	-	29
At 31 August 2009	23,272,980		430
3 August 2009	3,044	-	30
4 September 2009	2,174	-	22
3 October 2009	2,179	-	22
2 November 2009	1,639	-	16
5 December 2009	13,351	-	134
30 March 2010	1,600	-	16
31 March 2010	5,197	145	7,588
30 April 2010	1,391	-	14
28 May 2010	960	-	10
30 June 2010	2,022	-	20
30 June 2010	25,711	145	37,538
23 July 2010	5,263	145	7,684
30 July 2010	2,165	-	22
Total	23,339,676		53,545

Share Options

The following options arrangements exist over the Company's shares

	2010 '000	2009 '000	Date of grant	Exercise price pence	Exercise period	
					From	To
Key Share Options	24	24	18/06/2004	70	18/06/2005	18/06/2014
Key Share Options	106	142	01/12/2005	146	01/06/2007	01/12/2015
Target/Loyalty Share Options	3	3	05/03/2003	70	14/07/2005	05/03/2013
Target/Loyalty Share Options	2	2	18/06/2004	70	18/06/2005	18/06/2014
Target/Loyalty Share Options	1	1	08/11/2004	89	14/07/2006	08/11/2014
Target/Loyalty Share Options	19	24	01/12/2005	146	01/12/2006	01/12/2015
Long Term Incentive Plan Options	-	259	15/11/2007	1	15/11/2010	15/11/2017
Long Term Incentive Plan Options	559	601	14/11/2008	1	14/11/2011	14/11/2018
Long Term Incentive Plan Options	144	-	18/01/2010	1	18/01/2013	18/01/2020
Deferred Share Bonus	36	-	18/01/2010	1	18/01/2012	18/01/2020
Deferred Share Bonus	36	-	18/01/2010	1	18/01/2013	18/01/2020
Zero Priced Share Option Bonus	37	-	18/01/2010	1	18/01/2012	18/01/2020
Zero Priced Share Option Bonus	37	-	18/01/2010	1	18/01/2013	18/01/2020
Total	1,004	1,056				

During the year the Group introduced two new share option schemes: the Deferred Share Bonus scheme and the Zero Priced Share Option Bonus scheme. The deferred share bonus options are to be granted to senior employees following announcement of the results for the year ending 31 July 2010, but entitlement to the options was given on 18 January 2010. The number of options to be granted was subject to the achievement of performance targets in the current period, which have now crystallised, and they have therefore been accounted for in the current year. The zero priced share options have been granted to members of staff subject to two and three year holding periods.

The existing share option schemes are classified as either Long Term Incentive Plan (LTIP) awards or EMI Share Options. LTIP awards are nil-cost options granted to senior staff subject to a three year holding period and the achievement of performance targets. No EMI share options were granted during the year.

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

Notes

forming part of the financial statements continued

18 Share Capital continued

The movement in share options is shown below

	2010			2009		
	Number '000	Weighted average exercise price (pence)	Weighted average share price (pence)	Number '000	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1 August	1,056	75.6	–	758	75.6	–
Granted	300	1.0	–	662	1.0	–
Forfeited/lapsed	316	3.1	–	364	3.1	–
Exercised	36	146.0	222	–	–	–
Outstanding at 31 July	1,004	21.1		1,056	75.6	
Exercisable at 31 July	155	131.5		197	134.3	

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

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

Exercise date	2010			2009		
	Weighted average remaining contract life (months)	Number '000	Weighted average exercise price (pence)	Weighted average remaining contract life (months)	Number '000	Weighted average exercise price (pence)
6 November 2010	–	–	–	15	259	1.0
14 November 2011	15	559	1.0	27	600	1.0
18 January 2012	18	73	1.0	–	–	–
18 January 2013	30	217	1.0	–	–	–
Total		849			859	

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 fair values of the SIPs, Deferred Bonus Shares and Zero Priced Share Options were calculated as the market values on the date of the grant.

Date of grant		Share price on the date of grant (£)	Exercise price (£)	Volatility (%)	Vesting period (yrs)	Dividend yield (%)	Risk free rate of interest (%)	Fair value (£)
3 August 2009	SIP	1.30	0.01	N/A	3.00	N/A	N/A	1.30
4 September 2009	SIP	1.82	0.01	N/A	3.00	N/A	N/A	1.82
3 October 2009	SIP	1.82	0.01	N/A	3.00	N/A	N/A	1.82
2 November 2009	SIP	2.40	0.01	N/A	3.00	N/A	N/A	2.40
5 December 2009	SIP	2.70	0.01	N/A	3.00	N/A	N/A	2.70
18 January 2010	LTIP	2.46	0.01	21%	3.00	6.3%	2.0%	1.68
18 January 2011	Deferred bonus	1.90*	0.01	N/A	2.00	N/A	N/A	1.90*
18 January 2011	Deferred bonus	1.90*	0.01	N/A	3.00	N/A	N/A	1.90*
18 January 2010	Zero price bonus	2.46	0.01	N/A	2.00	N/A	N/A	2.46
18 January 2010	Zero price bonus	2.46	0.01	N/A	3.00	N/A	N/A	2.46
1 March 2010	SIP	2.24	0.01	N/A	3.00	N/A	N/A	2.24
31 March 2010	SIP	2.22	0.01	N/A	3.00	N/A	N/A	2.22
30 April 2010	SIP	2.52	0.01	N/A	3.00	N/A	N/A	2.52
28 May 2010	SIP	2.38	0.01	N/A	3.00	N/A	N/A	2.38
30 June 2010	SIP	2.32	0.01	N/A	3.00	N/A	N/A	2.32
30 July 2010	SIP	2.15	0.01	N/A	3.00	N/A	N/A	2.15

* The price of the deferred bonus shares has been estimated at £1.90 as the grant has not yet occurred. This is the price of the Company's shares on 5 August 2010, the date of the Company's most recent trading update, and reflects the market reaction to the results in the year to 31 July 2010.

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

Changes in Assumptions

Changes were made to the assumptions used in calculating the IFRS2 credit in relation to the share options above as follows

- > The lapse rate of the SIPS has been changed from 5% to 0%. This is because the shares are held in a central pot until allocated to an employee and as such they do not lapse
- > Employer's national insurance is no longer being accrued for in relation to the SIPS. This is to reflect the actual exercise of options during the period where national insurance contributions would be due
- > The growth rate used to calculate the employers' national insurance due on all other share options has been changed from 30% to 0% in response to actual movements in the share price

The effect of the changes outlined above was to increase the credit recognised in the current year by £55,000

19 Transactions with Directors and Related Parties

During the year the Group made sales of £14,000 (2009: £nil) to Ctruk Group Ltd, a related party by virtue of the common directorship of Andy White. There were no balances outstanding from Ctruk Group Ltd as at the year end. All transactions were undertaken at an arms length price.

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

During the year Matchtech Group UK Ltd charged Matchtech Group plc £284,000 (2009: £nil) for provision of management services.

20 Financial Instruments

The financial risk management policies and objectives including those related to financial instruments and the qualitative risk exposure details, comprising credit and other applicable risks, are included within the Financial Review under the heading Group financial risk management.

Maturity of Financial Liabilities

The Group financial liabilities analysis at 31 July 2010 was as follows

	Group	
	2010 £'000	2009 £'000
In less than one year or on demand		
Bank overdrafts	66	—
Working capital facility	4,717	1,470
Trade and other payables	9,552	8,233
Total	14,335	9,703

Borrowing Facilities

The Group makes use of a working capital facility, details of which can be found in Note 16. The undrawn facility available at 31 July 2010 in respect of which all conditions precedent had been met was as follows

	Group	
	2010 £'000	2009 £'000
Expiring in one year or less	20,283	18,530

The working capital facility was reviewed by the facility providers in January 2010 and renewed for a further 36 months.

The Directors have calculated that the effect on profit of a 1% movement in interest rates would be £81,000.

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

Notes

forming part of the financial statements continued

20 Financial Instruments continued

Net foreign currency monetary assets

	Group	
	2010 £'000	2009 £'000
Euros	131	38

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.

21 Capital Management Policies and Procedures

Matchtech Group plc's capital management objectives are

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

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

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

	Group	
	2010 £'000	2009 £'000
Total equity	23,672	21,235
Cash and cash equivalents	(272)	(307)
Capital	23,399	20,928
Total equity	23,672	21,235
Borrowings	4,783	1,470
Overall financing	28,455	22,705
Capital to overall financing ratio	82%	92%

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