MATCHTECH GROUP PLC

4 October 2012

Matchtech Group plc
Preliminary Results for the year ended 31 July 2012

Matchtech Group plc ("Matchtech" or the "Group"), one of the UK's leading specialist engineering and professional services recruitment companies, today announces its Preliminary Results for the year ended 31 July 2012.

Financial Headlines

- Revenue £371.4m up 23% (2011: £301.8m)
- Net Fee Income* (NFI) £36.1m up 21% (2011: £29.8m)
- Permanent recruitment fees £11.5m up 22% (2011: £9.4m)
- Mix between contract NFI and permanent fees continues at 68%:32% (2011: 68%:32%)
- Profit before tax £8.0m up 25% (2011: £6.4m)
- Basic earnings per share 24.3 pence up 20% (2011: 20.3 pence)
- Net cash from operating activities was £6.5m (2011: outflow £7.4m) with operating cash conversion of 106% (2011: -72%)
- Final dividend maintained at 10.6 pence giving total dividend for the year of 15.6 pence (2011: 15.6 pence) and providing increased cover of 1.6x (2011: 1.3x)
- Net debt of £14.5m (2011: £16.0m)

* NFI is calculated as revenue less contractor payroll costs.

Operational Headlines

- Unprecedented demand for contractors across all engineering sectors with record numbers on assignment
- Supplying UK clients who have:
  - Global demand for their services
  - Multi-year engineering infrastructure projects in the UK
- Acquisition of the internal recruitment arm of Xchanging plc
- The Professional Services brands of Barclay Meade & Alderwood are now well established and much improved performance with losses halved to £1.4m
- New, simpler reporting structure established for FY2012/13. The business will be managed in two distinct segments, Engineering and Professional Services.

Commenting on the results, George Materna Chairman of Matchtech said:

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

Since our Pre-close Trading Update on 2 August 2012 trading has remained in line with the Board's expectations, with contractor numbers continuing to grow well, up 2% in the two months to 30 September 2012. Permanent recruitment time-to-hire has been elongated and has started the year on a par with last year.

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

We look forward with confidence to the year ahead."

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Background on Matchtech Group

Established in 1984, the Group specialises in the provision of contract, temporary and permanent staff and has grown organically to become one of the UK's leading Engineering and Professional Services specialists, providing niche recruitment solutions to a broad range of clients across the UK and Europe. The Group's Head Office is based in Fareham, Hampshire with strategic office locations in London, St Albans, Aberdeen and Stuttgart.

Chairman's Statement

Trading Performance
The Board is pleased to report a strong performance by the Group, with both Net Fee Income (NFI) and Profit before tax over 20% up compared with last year.

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

We were pleased to have achieved another record year for contractors on assignment, which at 31 July 2012 stood at 6,700, a rise of 12% on the previous year. Contract recruitment across engineering and technology sectors exceeded our initial expectations. Permanent recruitment continued to be sensitive to economic conditions and consequently some clients and candidates took longer to commit to new roles, which lengthened the time-to-hire.
The Group's growth stemmed from successfully taking advantage of our established presence in growth niche markets, strong client retention based on consistently first-class service delivery and from the much improved performance by the professional services brands, which were created in the last two years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outlook

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

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

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

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

George Materna
Chairman

Chief Executive's Review

Performance Overview

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

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

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

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

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

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

Business Plan

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

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

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

Strategic Developments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

An indicative representation of the financial performance of this new structure can be found in Note 2 of the Financial Statements.

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

Adrian Gunn
Chief Executive Officer

Chief Financial Officer's Report

Revenue and Net Fee Income (NFI)

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

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

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

Overheads and NFI Conversion

Overheads in the year increased by 20%, resulting in a slight increase in the NFI conversion rate to 24% (2011: 23%). We are in a position to start improving the NFI conversion rate going forwards.

Profit and Earnings per Share

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

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

The Group generated profit before tax of £8.0m, up 25% (2011: £6.4m) and profit after tax of £5.7m (2011: £4.7m).

The effective tax rate has increased to 28.5% (2011: 25.9%) due to higher non tax deductible professional fees and increased losses incurred by Matchtech Germany.

Basic earnings per share rose by 20% to 24.34 pence (2011: 20.26 pence) and diluted earnings per share of 23.49 pence by 19% (2011: 19.74 pence).

Dividends

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

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

Dividends Paid

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

Group Consolidated Statement of Financial Position

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

Capital Expenditure and Tangible and Intangible Assets

Capital expenditure in the year was £1.4m (2011: £0.5m), of which £0.4m was for the acquisition of XRS in January 2012

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

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

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

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

Net debt at 31 July 2012 was £14.5m (31 January 2012: £11.5m, 31 July 2011: £16.0m).

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

In June 2012 the Group agreed an increase in its facilities with Barclays from £35m to £50m, on improved terms, committed until June 2015.

The facility ceiling currently stands at the lower of £50m or 90% of qualifying invoiced debtors and interest on borrowing is at Barclays Bank Base Rate plus 2.00%. At 31 July 2012 the balance on the Confidential Invoice Discounting Facility was £15.1m.

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

The Group's Revenue Recognition policy may be summarised as:
- Contract revenue, and hence contract net fee income, is only recognised upon receipt of a client signed timesheet
- Permanent fees are only recognised following confirmation by the client that the candidate has started work
- Other fees are recognised on confirmation from the client committing to the agreement

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

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

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

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

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

Liquidity and Interest Rate Risk
The Group had net debt of £14.5m at the year end, comprising £15.1m debt less £0.6m cash. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loan and sales financing facility debt obligations. Bank interest is charged on a floating rate basis.

Credit Risk
The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an on-going 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 13% (2011: 14%) of total receivables balances at 31 July 2012.

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

Tony Dyer
Chief Financial Officer
4 October 2012

CONSOLIDATED INCOME STATEMENT
for the year ended 31 July 2012

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

EARNINGS PER ORDINARY SHARE

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2012

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2012

A) GROUP

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share Based payment reserve £'000	Translation of foreign operations £'000	Retained earnings £'000	Total £'000
At 1 August 2010	**233**	**3,098**	**224**	**466**	**18**	**19,633**	**23,672**
Dividends paid in the year	-	-	-	-	-	(3,646)	(3,646)
Deferred tax movement re share options	-	-	-	-	-	5	5
IFRS2 charge	-	-	-	288	-	-	288
IFRS2 reserves transfer	-	-	-	25	-	(25)	-
Shares issued	1	28	-	-	-	-	29
Transactions with owners	1	28	-	313	-	(3,666)	(3,324)
Profit for the year	-	-	-	-	-	4,734	4,734
Other comprehensive income	-	-	-	-	(28)	-	(28)
Total comprehensive income	-	-	-	-	(28)	4,734	4,706
At 31 July 2011	**234**	**3,126**	**224**	**779**	**(10)**	**20,701**	**25,054**
At 1 August 2011	**234**	**3,126**	**224**	**779**	**(10)**	**20,701**	**25,054**
Dividends paid in the year	-	-	-	-	-	(3,652)	(3,652)
Deferred tax movement re share options	-	-	-	-	-	(3)	(3)
IFRS2 charge	-	-	-	476	-	-	476
IFRS2 reserves transfer	-	-	-	(370)	-	370	-
Shares issued	-	2	-	-	-	-	2
Transactions with owners	-	2	-	106	-	(3,285)	(3,177)
Profit for the year	-	-	-	-	-	5,697	5,697
Other comprehensive income	-	-	-	-	74	-	74
Total comprehensive income	-	-	-	-	74	5,697	5,771
At 31 July 2012	**234**	**3,128**	**224**	**885**	**64**	**23,113**	**27,648**

B) COMPANY

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2010	**233**	**3,098**	**466**	**5**	**3,802**
Dividends paid in the year	-	-	-	(3,646)	(3,646)
IFRS 2 charge	-	-	288	-	288
IFRS 2 reserves transfer	-	-	25	(25)	-
Shares issued	1	28	-	-	29
Transactions with owners	1	28	313	(3,671)	(3,329)
Profit and total comprehensive income for the year	-	-	-	4,532	4,532
At 31 July 2011	**234**	**3,126**	**779**	**866**	**5,005**
At 1 August 2011	**234**	**3,126**	**779**	**866**	**5,005**
Dividends paid in the year	-	-	-	(3,652)	(3,652)
IFRS 2 charge	-	-	476	-	476
IFRS 2 reserves transfer	-	-	(370)	370	-
Shares issued	-	2	-	-	2
Transactions with owners	-	2	106	(3,282)	(3,174)
Profit and total comprehensive income for the year	-	-	-	3,350	3,350
At 31 July 2012	**234**	**3,128**	**885**	**934**	**5,181**

STATEMENTS OF FINANCIAL POSITION
for the year ended 31 July 2012

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

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

Tony Dyer
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2012

	GROUP		COMPANY	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation	**5,697**	4,734	**3,250**	4,532
Adjustments for:				
Depreciation and amortisation	**702**	516	**-**	-
Loss on disposal of property, plant and equipment	**1**	8	**-**	-
Interest income	**(2)**	(30)	**(1)**	(1)
Interest expense	**711**	461	**-**	-
Taxation expense recognised in the income statement	**2,268**	1,654	**-**	-
(Increase) / decrease in trade and other receivables	**(6,223)**	(15,442)	**402**	(886)
Increase in trade and other payables	**5,248**	2,875	**-**	-
Increase in provisions	**278**	-	**-**	-
Share-based payment charge	**476**	288	**-**	-
Investment income	**-**	-	**(3,645)**	(4,815)
Cash generated from operations	**9,156**	(4,936)	**6**	(1,170)
Interest paid	**(703)**	(461)	**-**	-
Income taxes paid	**(1,916)**	(2,040)	**-**	-
NET CASH FROM OPERATING ACTIVITIES	**6,537**	(7,437)	**6**	(1,170)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of plant and equipment	**(868)**	(484)	**-**	-
Purchase of intangible assets	**(575)**	(45)	**-**	-
Proceeds from sale of plant	**45**	107	**-**	-
Interest received	**2**	30	**2**	-
Dividend received	**-**	-	**3,645**	4,815
NET CASH USED IN INVESTING ACTIVITIES	**(1,396)**	(392)	**3,647**	4,815
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital	**4**	29	**2**	29
Payment of transactions costs relating to loans and borrowings	**(150)**	-	**-**	-
Dividends paid	**(3,652)**	(3,646)	**(3,652)**	(3,646)
NET CASH USED IN FINANCING	**(3,798)**	(3,617)	**(3,650)**	(3,617)
EFFECTS OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**(4)**	2	**-**	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,339**	(11,444)	**3**	28
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**(15,955)**	(4,511)	**144**	116
CASH AND CASH EQUIVALENTS AT END OF YEAR	**(14,616)**	(15,955)	**147**	144
CASH AND CASH EQUIVALENTS				
Cash	**626**	475	**147**	144
Bank overdrafts	**(169)**	(172)	**-**	-
Working capital facility utilised	**(15,073)**	(16,258)	**-**	-
Cash and cash equivalents in the statement of cash flows	**(14,616)**	(15,955)	**147**	144

NOTES
forming part of the financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

i. The business and address of the Group

Matchtech Group plc is a human capital resources business dealing with contract and permanent recruitment in the Private and Public Sector. The Company is incorporated in the United Kingdom. The Group's address is: Matchtech Group plc, 1450 Parkway, Whiteley, Fareham PO15 7AF.

ii. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and which are effective at 31 July 2012.

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

iii. Going concern

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

iv. New standards and interpretations

New standards and amendments to existing standards applicable for the period ending 31 July 2012 are:

- IAS 24 'Related Party Disclosures'

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

New standards in issue, not yet effective

The following relevant Standards and Interpretations, which are new and yet to become mandatory, have not been applied in the Group financial statements:

Standard	Effective date (Annual periods beginning on or after)
IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012

v. Basis of consolidation

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

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

Transactions between Group companies are eliminated on consolidation.

vi. Revenue

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

vii. Property, plant and equipment

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

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

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

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

viii. Intangible assets

Separately acquired software licences are included at cost and amortised on a straight-line basis over the useful economic life of that asset at 20%-50% per annum.

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

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

ix. Disposal of assets

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

x. Operating lease agreements

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

xi. Taxation

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

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

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

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

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

xii. Pension costs

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

xiii. Share-based payment

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

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

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

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

xiv. Business combinations completed prior to date of transition to IFRS

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

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

xv. Financial assets

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

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

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

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

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

Trade receivables subject to the invoice discounting facility are recognised in the statement of financial position until they are settled by the customer. The Group is responsible for collection of trade receivables and undertakes the risk and rewards until they are settled by the customer.

xvi. Financial liabilities

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

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

xvii. Cash and cash equivalents

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

xviii. Dividends

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in general meeting prior to the statement of financial position date.

xix. Foreign currencies

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

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

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

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

xx. Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share-based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Merger reserve" represents the equity balance arising on the merger of Matchtech Engineering 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 judgments are made in the preparation of the financial statements. They affect the application of the Group’s accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements

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

Invoice discounting facility

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

Key sources of estimation uncertainty

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

Estimated useful lives of property, plant and equipment

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

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgements. Considerable judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's receivables were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required. The carrying amounts of these assets are shown in note 15.

Share-based payments

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

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

Year ended 31 July 2012

	Engineering	**Built Environment**	**Matchtech UK Information Systems & Technology**	**Science & Medical**	**Matchtech UK Total**	**Germany**	**Professional Services**	**elemense**	**Matchtech Group Total**
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**
Revenue	164,845	77,941	81,208	9,089	**333,083**	3,018	23,309	11,956	**371,366**
Gross profit	12,129	5,768	7,586	2,129	**27,612**	879	5,744	1,883	**36,118**
Profit/(loss) from operations	5,697	2,156	2,535	275	**10,663**	(410)	(1,361)	(218)	**8,674**
Finance cost, net	(303)	(142)	(150)	(17)	**(612)**	(33)	(43)	(21)	**(709)**
Profit/(loss) before tax	5,394	2,014	2,385	258	**10,051**	(443)	(1,404)	(239)	**7,965**
Depreciation and amortisation	129	92	231	52	**504**	2	137	59	**702**
Segment net assets	27,572	13,027	13,573	1,519	**55,671**	505	3,896	1,998	**62,070**
Unallocated net liabilities									**(34,422)**
Total net assets									**27,648**

Year ended 31 July 2011

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

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

Geographical information

All amounts in £'000	**United Kingdom**		**Germany**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Revenue	**368,348**	300,066	**3,018**	1,740	**371,366**	301,806
Gross profit	**35,239**	29,133	**879**	625	**36,118**	29,758
Profit/(loss)from operations	**9,084**	6,851	**(410)**	(32)	**8,674**	6,819
Finance cost, net	**(676)**	(403)	**(33)**	(28)	**(709)**	(431)
Profit before tax	**8,408**	6,448	**(443)**	(60)	**7,965**	6,388
Depreciation and amortisation	**700**	508	**2**	8	**702**	516
Non-current assets	**2,540**	1,815	**10**	9	**2,550**	1,824
Net current assets / (liabilities)	**25,849**	23,654	**(751)**	(424)	**25,098**	23,230
Total net assets / (liabilities)	**28,389**	25,469	**(741)**	(415)	**27,648**	25,054

Revenue and non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary. Included within UK revenues is cross-border revenues of £4,298,000 (2011: £3,066,000).

Largest customers

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

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

Indicative representation of changes to the reporting structure

From 1 August 2012 the reporting structure of the Group was changed to two main reporting segments, Engineering and Professional Services. Engineering will consist of Matchtech UK, excluding Information Systems & Technology, and elemense. Professional Services will include Information Systems & Technology.

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

2012	**Engineering**	**Professional Services**	**Group Total**
	£'000	**£'000**	**£'000**
Revenue	266,849	104,517	371,366
Gross profit	22,788	13,330	36,118
Profit from operations	7,500	1,174	8,674
Finance cost, net	(516)	(193)	(709)
Profit before tax	6,984	981	7,965
Depreciation and amortisation	334	368	702
Non-current assets	44,601	17,469	62,070
Net current assets			(34,422)
Total net assets			27,648

3. PROFIT FROM OPERATIONS

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

			2012 £'000	2011 £'000
Depreciation			**519**	466
Amortisation			**183**	50
Loss / (profit) on disposal of property, plant and equipment			**1**	8
Auditors' remuneration	- Fees payable for the audit of the Parent Company financial statements		**10**	10
	- Fees payable for the audit of the Subsidiary company financial statements		**60**	40
	- Non-audit services:	taxation	**18**	13
		other services pursuant to legislation	**4**	-
Previous auditors' remuneration	- Fees payable for the audit of the Parent Company financial statements		**-**	9
Operating lease costs:	- Plant and machinery		**178**	105
	- Land and buildings		**802**	700
Share-based payment charge			**476**	288
Net loss / (profit) on foreign currency translation			**164**	(32)
Acquisition costs			**35**	-
Legal and professional fees relating to the Value Creation Plan			**233**	-

4. PARTICULARS OF EMPLOYEES

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

	2012 No.	2011 No.
Selling	**275**	248
Administration	**77**	73
Directors	**8**	6
Total	**360**	327

The aggregate payroll costs of the above were:

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

Disclosure of the remuneration of key management personnel, as required by IAS 24, is detailed below. Disclosure of the remuneration of the statutory Directors is further detailed in the Directors' Remuneration Report contained in the Annual Report and Accounts 2012.

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

5. FINANCE COSTS

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

6. DIVIDENDS

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

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

7. PARENT COMPANY PROFIT

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

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

8. INCOME TAX EXPENSE

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

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

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

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

Tax credit recognised directly in equity:

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

Future Tax Rate Changes

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

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

9. EARNINGS PER SHARE

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

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

The earnings per share information has been calculated as follows:

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

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

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

10. ACQUISITION

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

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

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

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

Intangible assets have been recognised at fair value.

The Group incurred acquisition-related costs of £35,000 related to external legal fees and due diligence costs. These costs have been recognised in administrative expenses in the Group's consolidated income statement.

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

11. INTANGIBLE ASSETS

Group

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

12. PROPERTY, PLANT AND EQUIPMENT

Group

		Motor Vehicles £'000	Office Equipment £'000	Leasehold Improvem-ents £'000	Computer Equipment £'000	Total £'000
COST	At 1 August 2010	2,013	1,493	103	776	4,385
	Additions	204	58	140	82	484
	Disposals	(571)	-	-	-	(571)
	At 1 August 2011	1,646	1,551	243	858	4,298
	Additions	228	13	406	221	868
	Disposals	(183)	-	-	-	(183)
	At 31 July 2012	**1,691**	**1,564**	**649**	**1,079**	**4,983**
DEPRECIATION	At 1 August 2010	1,191	1,028	1	538	2,758
	Charge for the year	221	103	22	120	466
	Released on disposal	(456)	-	-	-	(456)
	At 1 August 2011	956	1,131	23	658	2,768
	Charge for the year	196	113	94	116	519
	Released on disposal	(136)	-	-	-	(136)
	At 31 July 2012	**1,016**	**1,244**	**117**	**774**	**3,151**
NET BOOK VALUE	At 31 July 2011	690	420	220	200	1,530
	At 31 July 2012	**675**	**320**	**532**	**305**	**1,832**

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

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

13. DEFERRED TAX

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

	Group	
	2012	**2011**
	£'000	**£'000**
At 1 August	**188**	119
Recognised in income	**35**	64
Recognised in equity	**(3)**	5
At 31 July	**220**	188

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

14. INVESTMENTS

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

Subsidiary Undertakings

Company	Country of Incorporation	Share Class	% held	Main Activities
Matchtech Group (Holdings) Ltd	United Kingdom	Ordinary	100%	Non trading
Matchtech Group Management Company Ltd	United Kingdom	Ordinary	38%	Non trading
Matchtech Group UK Ltd	United Kingdom	Ordinary	99.998%	Provision of recruitment consultancy
Matchtech Engineering Ltd	United Kingdom	Ordinary	100%	Non trading
Matchmaker Personnel Ltd	United Kingdom	Ordinary	100%	Non trading
Barclay Meade Ltd	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Alderwood Education Ltd	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
elemense Ltd	United Kingdom	Ordinary	100%	Provision of recruitment consultancy
Matchtech GmbH	Germany	Ordinary	100%	Provision of recruitment consultancy
Matchtech BV	Netherlands	Ordinary	100%	Non trading
Matchtech Engineering Inc.	USA	Ordinary	100%	Provision of recruitment consultancy

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

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

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

15. TRADE AND OTHER RECEIVABLES

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

The amount due from Group undertakings in the Company statement of financial position is considered to approximate to fair value.

Days sales outstanding at the year end based upon the preceding three months' revenue were 49.6 days (2011: 52.9 days). The allowance for doubtful debts has been determined by reference to previous experience and management assessment of debts.

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

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

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

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

Aging of past due but not impaired trade receivables:

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

Movement in the allowance for doubtful debts:

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

Aging of impaired trade receivables:

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

16. TRADE AND OTHER PAYABLES

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

17. PROVISIONS

	Group	
	2012	2011
	£'000	£'000
Balance at start of year	**-**	-
Transfer from Other Payables	**50**	-
Provisions made during the year	**228**	-
Balance at end of year	**278**	-
Non-current	**278**	-
Current	**-**	-
	278	-

The above provision relates to a dilapidation provision based on the requirement to return leased buildings to their original condition at the end of the lease term. The provision relates to 5 offices held under lease arrangements that expire between August 2016 and June 2017.

18. FINANCIAL ASSETS AND LIABILITIES STATEMENT OF FINANCIAL POSITION CLASSIFICATION

The carrying amount of the Group's financial assets and liabilities as recognised on 31 July of the reporting periods under review may also be categorised as follows:

Financial assets are included in the statement of financial position within the following headings:

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

Financial liabilities are included in the statement of financial position within the following headings:

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

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

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

19. COMMITMENTS UNDER OPERATING LEASES

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

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

20. SHARE CAPITAL

Authorised share capital

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

Allotted, called up and fully paid:

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

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

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

Share Options

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

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

During the year the Group operated a Long Term Incentive Plan (LTIP) and a Deferred Share Bonus Plan for Executive Directors and a Zero Priced Share Option Bonus for key staff. The LTIP options were granted on 31 January 2012 and are subject to an EPS performance target with a TSR (Total Shareholder Return) underpin. The deferred share bonus option entitlements were granted on 31 January 2012, however, all the entitlements lapsed in the year due to performance falling below the minimum threshold. The Zero Priced Share Options were granted on 31 January to members of staff subject to two and three year holding periods.

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

The movement in share options is shown below:

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

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

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

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

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

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

Date of grant		**Share price on the date of grant**	**Exercise price**	**Volatility**	**Vesting period**	**Dividend yield**	**Risk free rate of interest**	**Fair value**
		(£)	**(£)**	**(%)**	**(yrs)**	**(%)**	**(%)**	**(£)**
10/08/2011	SIP	2.20	0.01	N/A	3.00	N/A	N/A	2.20
04/09/2011	SIP	2.18	0.01	N/A	3.00	N/A	N/A	2.18
03/10/2011	SIP	2.20	0.01	N/A	3.00	N/A	N/A	2.20
03/11/2011	SIP	2.18	0.01	N/A	3.00	N/A	N/A	2.18
05/12/2011	SIP	2.18	0.01	N/A	3.00	N/A	N/A	2.18
10/01/2012	SIP	2.13	0.01	N/A	3.00	N/A	N/A	2.13
31/01/2012	LTIP	2.12	0.01	20.4%	3.00	7.4%	0.47%	1.34
31/01/2012	Deferred bonus	2.12	0.01	N/A	2.00	7.4%	N/A	1.76
31/01/2012	Deferred bonus	2.12	0.01	N/A	3.00	7.4%	N/A	1.76
31/01/2012	Zero price share option bonus	2.12	0.01	20.4%	2.00	7.4%	N/A	1.84
31/01/2012	Zero price share option bonus	2.12	0.01	20.4%	3.00	7.4%	N/A	1.70
03/02/2012	SIP	2.15	0.01	N/A	3.00	N/A	N/A	2.15
08/03/2012	SIP	2.04	0.01	N/A	3.00	N/A	N/A	2.04
16/04/2012	SIP	2.00	0.01	N/A	3.00	N/A	N/A	2.00
10/05/2012	SIP	2.13	0.01	N/A	3.00	N/A	N/A	2.13
13/06/2012	SIP	2.06	0.01	N/A	3.00	N/A	N/A	2.06
10/07/2012	SIP	2.13	0.01	N/A	3.00	N/A	N/A	2.13

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

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

21. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

During the year the Group made sales of £4,000 (2011: £20,000) to Ctruk Group Limited and £88,000 (2011: £14,000) to Cwind Limited, both related parties by virtue of the common directorship of Andy White. As at the year end Ctruk Group Limited had a balance outstanding of £2,000 (2011: £nil) and CWind Limited had a balance outstanding of £32,000 (2011: £nil). All transactions were undertaken at an 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 £394,000 (2011: £284,000) for provision of management services.

Further details of transactions with directors are included in the Directors' Remuneration Report in the annual report.

22. FINANCIAL INSTRUMENTS

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

Maturity of financial liabilities

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

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

Borrowing facilities

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

	Group	
	2012	**2011**
	£'000	**£'000**
Expiring in one year or less	**-**	18,742
Expiring in one to five years	**34,927**	-

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

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

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

Net foreign currency monetary assets

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

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

23. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Matchtech Group plc's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; 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 statement of financial position.

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

	Group 2012 £'000	Group 2011 £'000
Total equity	**27,648**	25,054
Cash and cash equivalents	**(626)**	(475)
Capital	**27,022**	24,579
Total equity	**27,648**	25,054
Borrowings	**15,100**	16,430
Overall financing	**42,748**	41,484
Capital to overall financing ratio	**63%**	59%

24. SUBSEQUENT EVENTS

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

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 July 2012 or 2011 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information presented on this web site does not comprise the statutory accounts of Matchtech Group plc for the financial years ended 31 July 2012 and 31 July 2011 but represents extracts from them. These extracts do not provide as full an understanding of the financial performance and position, or financial and investing activities, of the company as the complete Annual Report.

The statutory accounts for those years have been reported on by the company's auditor and delivered to the registrar of companies. The reports of the auditor were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The Annual Report, including the auditor's report, can be obtained free of charge on request to the company at Matchtech Group plc, 1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AF, or, alternatively, can be downloaded at www.matchtechgroupplc.com.