

matchtech[®]
GROUP

Annual Report & Accounts 2008





Engineering & Science

Matchtech is one of the UK's largest engineering recruitment companies. We cover all disciplines in Engineering & Science from concept through to commissioning and maintenance.



Built Environment

Matchtech is a leading construction recruitment agency covering the entire UK. We provide professional personnel of all disciplines for projects from inception through to on-site completion to facilities management.



Support Services

Matchtech's recruitment services cover business and IT appointments. Our IT, Procurement and Commercial divisions provide personnel to a wide range of clients across all industry sectors.





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Key Performance Indicators

Group Turnover

2008	+28%	£258.8m
2007	+29%	£202.8m
2006	+26%	£156.7m
2005	+31%	£124.1m
2004		£94.8m

Group Net Fee Income

2008	+23%	£33.2m
2007	+29%	£26.9m
2006	+22%	£20.8m
2005	+29%	£17.0m
2004		£13.2m

Operating Profit

2008	+22%	£13.8m
2007	+38%	£11.3m
2006	+34%	£8.2m
2005	+30%	£6.1m
2004		£4.7m

Net Fee Income Conversion⁺

2008	41.6%
2007	42.0%
2006	40.3%
2005	35.9%
2004	35.6%

Profit Before Tax

2008	+22%	£12.8m
2007	+35%	£10.5m
2006	+37%	£7.8m
2005	+33%	£5.7m
2004		£4.3m

Operating Cash Conversion^{*}

2008	108%
2007	76%
2006	77%
2005	57%
2004	53%

Diluted Earnings Per Share

2008	38.25p	+30%
2007	29.43p	+14%
2006	25.82p	+48%
2005	17.46p	+38%
2004	12.65p	

Dividend Per Share

2008 Final	10.6p	15.6p	+14%
2008 Interim	5.0p		
2007 Final	9.3p	13.7p	
2007 Interim	4.4p		

Note: 2006 and 2007 results exclude the sales and profits from the US business sold on 31 August 2006 as well as the non-recurring costs of the IPO.
⁺ Net Fee Income Conversion is the amount of operating profit produced as a percentage of net fee income.
^{*} Operating Cash Conversion is the amount of operating cashflow produced as a percentage of operating profit.



Group Chairman's Statement

George Materna

This has been another excellent year for Matchtech. Our strong second half performance maintained our momentum and ensured that we built on our track record of sustained organic growth. We have delivered record turnover in the year converting into record profits across every sector of the business.

For comparison purposes 2007 results exclude the sales and profits from the US business sold on 31 August 2006 as well as the non-recurring costs of the admission to AIM.

Turnover was £258.8 million, up 28% on 2007, with net fee income (gross profit) of £33.2 million up 23%.

Operating profit and profit before tax were both up 22% to £13.8 million and £12.8 million respectively, with the First Half profit before tax up 21% and the Second Half up 22%.

This excellent performance has strengthened our position as the UK's biggest single-site recruitment agency and we have continued to build on our strong presence in our core industry sectors.

Adjusted basic earnings per share increased to 39.3 pence, up 21%.

The Board has a progressive dividend policy and I am pleased to confirm a proposed final dividend for the year of 10.6 pence per share, which when added to the interim dividend of 5.0 pence per share, makes a total dividend for the year of 15.6 pence per share, a 14% increase on last year. The final dividend, if approved by shareholders at the Annual General Meeting to be held on 21 November 2008 will be payable on 5 December 2008 to shareholders on the register on 7 November 2008.

Cash generation has again been strong and our net debt has fallen to £3.1m on 31 July 2008 from £9.8m at the 31 July 2007.

The recruitment and retention of our high quality staff, at all levels and in all areas, along with the ability to align their interests with shareholders and to provide the best service and results possible is essential for sustained organic growth. There is a high performance culture across the group created by the enthusiasm, the dedication, the professionalism and the desire to succeed of all our staff.

This is a people business and our people have shown a

commitment to clients, candidates and contractors that gives a significant competitive advantage. On behalf of the Board, I would like to thank the whole of the Matchtech team for their continued commitment and hard work.

The clients and sectors that we serve continue to exhibit strong structural growth characteristics. We are involved in the recruitment process throughout a project's life-cycle from the initial design and conception phase, through the construction and implementation stages and finally to the delivery and maintenance of the asset or infrastructure. Many of these projects, such as the construction of the two new Aircraft Carriers for the Royal Navy which are due in service in 2014 and 2015, and the construction of the Olympic site, due in 2012, operate on long life cycles and are not materially impacted by the current financial turmoil. Moreover we have a highly diversified and expanding customer base, which provides further opportunities for growth and adds an additional element of protection to our business.

The technical markets continue to suffer from skills shortages, which, in turn, create demand for qualified candidates despite the macro-economic turbulence. By providing high levels of service across the entire UK from our single site location, we are gaining new clients and winning business from our competitors.

Our clear defensive strategy of pursuing organic growth in our well established areas through working with our highly diversified client base is working and offers scope for further growth.

Whilst there will be competitive and market challenges ahead, we are well positioned, with the flexibility offered by our single site, to respond quickly and effectively to deterioration in market conditions.

Overall trading in the first two months of the current year has been good, with net fee income up 13% on the same period last year and contractor numbers up 5% since the end of July. We are determined and consistent at what we do and believe we can deliver another successful year.

George Materna FREC FCIPD
Chairman



Group Managing Director's Report

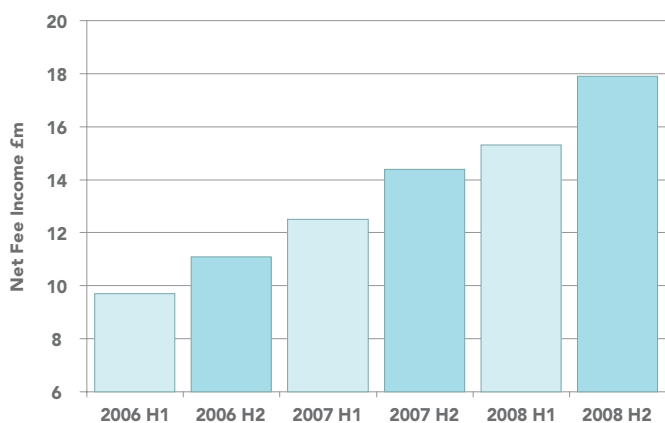
Adrian Gunn

Matchtech has continued to deliver consistent growth in both the First and Second Half of the year despite a slowing UK economy. This is testament to the structure and strength of the business, the markets in which we operate and the high quality of our staff and management.

In a period when the growth of the UK economy has slowed, Matchtech has continued to grow in excess of 20%. We are pleased to report that our results have produced pre-tax profits of £12.8m compared to £10.5m (excluding non-recurring items) in 2007, up 22%.

Our business mix was essentially unchanged. We remain a contract led organisation; contract recruitment accounts for 67% of the Company's net fee income and permanent recruitment 33%. Both areas continue to show good growth, with contract recruitment up 22% and permanent up 28%. Most pleasingly, this growth has been consistent in both H1 and H2.

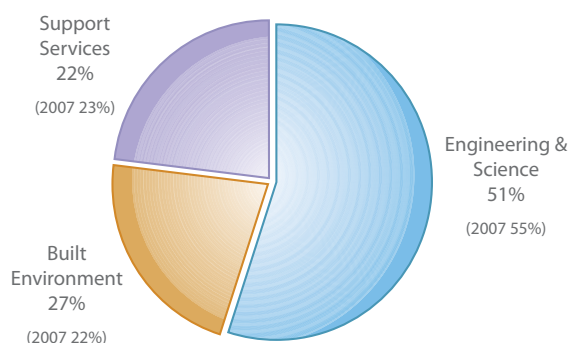
H1 v H2 Performance 2006 - 2008



We have again demonstrated our ability to grow organically across all three of our sectors. Long term publicly funded projects, continuing skills shortages of highly technical candidates and a strategy of expanding our geographical reach within the UK aided growth within our Engineering and the Built Environment sectors.

In our Support Service Sector our strategy of expanding the range of skill types placed has taken us into new markets and diversified our client base.

2008 Sector NFI Split



We continued to deliver a healthy mix of contract and permanent business supplying our clients on a Contingency, Preferred Supplier and Managed Agency basis.

Our top 50 clients generated 54% (2007: 50%) of our net fee income. Babcock International, VT Group and Mouchel Group are our largest three clients, each generating around 4% of our net fee income. The highlight of the year was the re-signing of a 5 year contract with Babcock International and extending the VT Group Managed Service Provider contract for a further three years. The largest new contract win in the period was the contract with Ricardo, which is our first Master Vendor win in the Automotive sector.

We have delivered net fee income growth from our strategy of up-selling services with existing clients. This, along with a competitive marketplace, has put a slight downward pressure on our percentage margins which reduced to 12.8% from 13.3% in 2007.

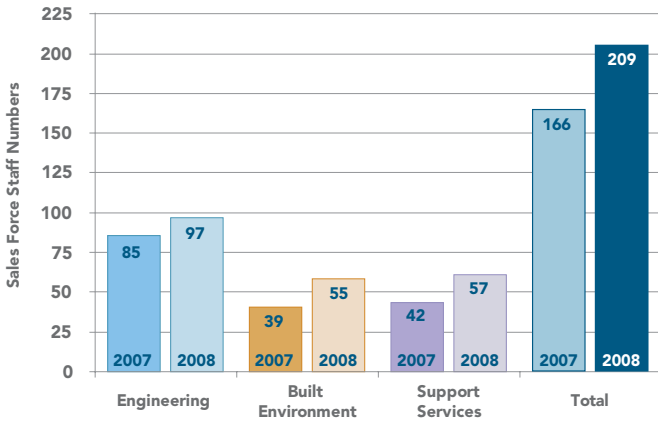
Quality candidates remain in short supply but we have demonstrated our ability to source and place the best. This year we have placed 2,868 candidates into permanent positions, 31% up on 2007's 2,192 and we have filled over 6,800 contract/temporary assignments, up 8% on 2007's 6,300. Contractor care continues to be high on our agenda. This is demonstrated by our stance of continuing to pay our contractors and consultancies weekly. Internal service levels agreements are in place to ensure the contractor receives a high level of service from our consultants and our support staff.

I would like to thank all contractors and consultancies that have worked with Matchtech this year. With the quality service they deliver we are able to foster and maintain strong relationships with our clients.



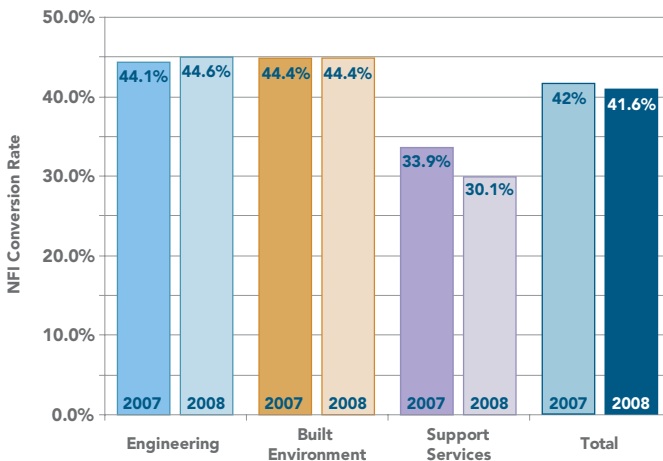
We increased headcount in all three sectors to keep up with growth, especially within Support Services. Total numbers have risen from 245 to 296 staff, up 21%, and sales force from 166 to 209, up 26%.

2008 Sales Force Headcount



This strong investment in increased headcount and slight change in business mix between contract and permanent recruitment has reduced our NFI conversion marginally to 41.6% (2007:42.0%). However, we aim to see the benefits from our staff investment next year together with increased staff productivity through training and development geared around service delivery.

2008 NFI Conversion



The Group's remuneration strategy for sales consultants remains strongly biased towards variable over fixed remuneration, encouraging staff to over perform.

Our leading edge IT technology continued to deliver operational efficiency and our proven single site strategy ensured our cost base remained under control.

We have further strengthened our business continuity strategy by achieving the new BS25999 Business Continuity standard and as such became the first UK recruitment company to obtain this certification.

Once again our experienced management team and high quality staff have produced another set of excellent results demonstrating their ability to perform in a less buoyant environment. I would like to thank all our staff for their hard work.

Their industry knowledge has ensured we are involved at the early stages of new business development opportunities and their ability to coach and mentor new staff is driving each sector's future growth plans.

We have demonstrated our ability to grow in demanding economic times. Our responsive service delivery model has won contingency business from our competitors and our Managed Service offering has developed an enviable reputation within the industry.

Our growth strategy remains unchanged along with our ability to maintain a low flexible cost base.

Our business development pipeline remains healthy and the management team will be working hard to increase the number of Managed Agency accounts as well as increasing the revenue generated by our existing accounts.

Finally we believe there has been little change in the long term growth drivers in the Engineering and Built Environment sectors and are committed to our strategy to diversify our Support Services sector.

We have a seasoned management team and our single site strategy means we are well positioned to respond quickly and effectively in the event of a weakening in market demand. This gives us confidence in uncertain economic times that Matchtech is well placed to continue to deliver solid performance in the future.

Adrian Gunn FREC
Group Managing Director



Group Finance Director's Review

Tony Dyer

This year Matchtech has again delivered consistent growth across all our sectors and the conversion to International Financial Reporting Standard's ("IFRS") has had minimal impact on our reported results.

International Reporting Standards ("IFRS")

The Financial Statements for year ending 31 July 2008 are the first set of annual results prepared under IFRS. The transitional arrangements are detailed in Note 2 to the accounts on page 28.

The principle impact of the conversion relates to IAS12 Income Taxes, where the provision for the full potential future tax deduction in respect of share options resulted in an increase in the deferred tax asset recognised by £0.4m and the requirement to take to equity the excess tax effect of gains and losses on the exercise of share options in the period over and above the previously expensed share options cost under IFRS 2. The impact is a £0.8m increase in 2007 income tax expense and a resultant £0.8m decrease in profits after tax for that period. Consequently the comparative fully diluted EPS of continuing operations is 29.43p previously reported as 32.64p under UK GAAP. The two other areas affected are IAS 17 Leases and IAS 19 Employee Benefits; neither materially affects the results.

Group non-recurring items

For comparison purposes we have excluded from the 2007 results the non-recurring items of the sales and profits of the US business sold on 31st August 2006 of £0.07m as well as the non-recurring costs of the admission to AIM of £0.6m.

Group Income Statement

Matchtech has continued to build on its resilient business model, once again posting record results.

With all sectors showing growth on last year turnover increased 28% to £258.8m (2007: £202.8m).

Net fee income increased 23% to £33.2m (2007: £26.9m) reflecting a slight fall in our gross profit margin to 12.8% (2007: 13.3%).

A strong permanent marketplace in the sectors in which we operate has resulted in faster growth in permanent fees than contract net fee income and a slight shift in mix, with 67% (2007: 69%) of net fee income derived from recurring contract income and 33% (2007: 31%) from permanent placements. We continue, however, to be a contract led business, maintaining a healthy balance between contract and permanent business.

Investment in new staff slightly impacted the net fee income conversion to operating profit which was 41.6% (2007: 42.0%).

Operating profit rose by 22% to £13.8m (2007: £11.3m). Profit before tax also rose by 22% to £12.8m (2007: £10.5m).

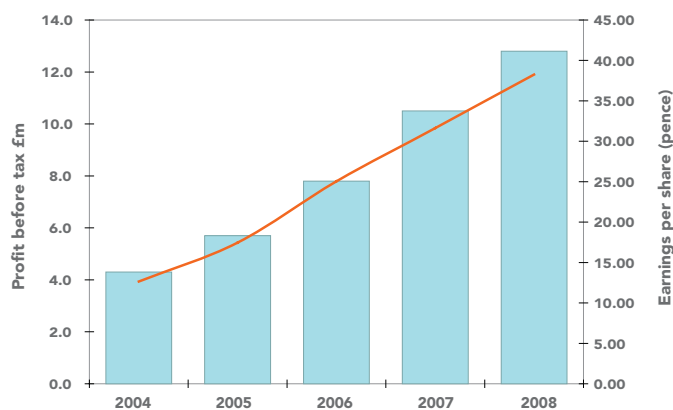
Profit after tax of £9.1m was up 25% (2007: £7.3m).

Group Earnings Per Share

Basic Earnings Per Share were up 30.4% to 39.34p (2007: 30.16p) and Diluted Earnings Per Share up by 30.0% to 38.25p (2007: 29.43p).

Excluding the non-recurring items in 2007, underlying Basic and Diluted Earnings Per Share were up 21.3% and 20.9% respectively.

Profit Before Tax and EPS Growth



Group Dividends

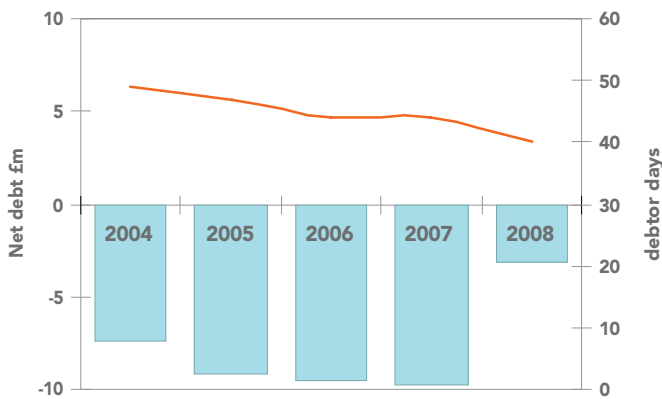
The Board has proposed a final dividend for the year of 10.6 pence per share, payable on 5 December 2008 to those shareholders registered on 14 November 2008. This makes a total dividend for the year of 15.6 pence per share (2007: 13.7 pence per share), up 14%.

Group Balance Sheet

Group net assets stood at £17.1m (2007: £10.8m). Net debt fell by £6.7m to £3.1m (2007: £9.8m) and debtor days fell by 3.3 days to 40.1 days (2007: 43.4 days). At 31 July 2008 £0.3m (2007: £0.3m) of the debtor book of £38.3m was greater than 90 days overdue, less than 0.8%.



Net Debtor and Debtor Days



Group Financing and Cashflow

The Group operates a Confidential Invoice Discounting facility with Barclays Bank plc. The facility ceiling currently stands at the lower of £20m or 90 per cent. of qualifying invoiced debtors.

On 27 May 2008, the Group entered into a £7.5m Revolver Credit facility with Barclays Bank plc. The Revolver Credit facility replaced the previously held £5m three year loan with Barclays Bank and on 31 July 2008 Matchtech repaid the entire balance on the £5m loan.

At 31 July 2008 the balance on the Confidential Invoice Discounting Facility was £3.3million and the borrowings from the Revolver Credit facility were zero.

The utilisation of all borrowing facilities as at 31 July 2008 was 12%.

The Group continues to be cash generative at an operating level. Operating cash conversion in 2008, as defined by cash generated from operations as a percentage of operating profit, was 108% (2007: 76%).

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 loan and confidential sales ledger financing.

The Group's financial instruments comprise borrowings, cash and various items, such as trade receivable 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 £3.1m at the year end, comprising £3.4m (debt) less £0.3m (cash).

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

As a guide, a 1% increase in interest rates, will cost an approximate £0.1m in additional interest.

The interest rate on the current Confidential Invoice Discounting Facility is linked to Barclays Bank base rate and the Revolver Credit Facility is linked to LIBOR.

The bank has the right at any time to set-off the amount of any liability owed to the bank against any amounts owed by the bank.

- **Credit risk**

The Group seeks to trade only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts has not been significant. There are no significant concentrations of credit risk within the Group, with no debtor as at 31 July 2008 accounting for more than 5% (2007: 7%) of total receivable balances.

- **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 FMCA
Finance Director and Company Secretary



Board of Directors & Advisors

The Board brings together many years of experience internally and externally to Matchtech and inside and outside the Human Capital Resources Sector.



George Materna
Non-Executive
Chairman

George, aged 55, has 30 years experience of the recruitment industry, and is the founder of Matchtech, having founded Matchmaker Personnel in 1984 and Matchtech Engineering in 1990 before combining the two businesses in 2002 to form Matchtech Group plc. George is also Chairman of the Nominations Committee.



Adrian Gunn
Group Managing
Director

Adrian, aged 43 joined Matchtech 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 Group Managing Director on 1st February 2007 and heads the unchanged Executive Team.



Andy White
Non-Executive
Deputy Chairman

Andy, aged 52, 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 in 1990 having previously had a number of years experience in the marine sector.



Tony Dyer
Group Finance
Director

Tony, aged 39, is a Fellow of the Chartered Institute of Management Accountants. He qualified as a Chartered Management Accountant in 1995 before joining Matchtech in 1996 as a management accountant. Following a period as financial controller, he was appointed to the Board as Finance Director in 2004.



Stephen Burke
Non-Executive
Director

Stephen, aged 48, has over 25 years of recruitment experience having joined Michael Page in 1981 after graduating from Durham University. He held Director roles in Michael Page from 1988 before being appointed Managing Director of Michael Page in the UK and a Director of Michael Page International plc in 2001 until 2005. Stephen is also Chairman of the Remuneration Committee.



Paul Raine
Group Resources
Director

Paul Raine, aged 48 joined Matchtech in 1990. He was appointed Managing Director of Matchtech Engineering in 1998 and was subsequently appointed Group Managing Director of Matchtech Group in 2002, before taking up his current role of Group Resources Director on 1st February 2007.



Ric Piper
Non-Executive
Director

Ric, aged 56, qualified as a Chartered Accountant in 1977. He was appointed Finance Director of Logica (UK) in 1990 and was Group Finance Director of WS Atkins from 1993 to 2002. Since 2003 he has been Chairman or NED on the growth and development of several companies, both on AIM and privately owned businesses. Ric is also Chairman of the Audit Committee.

Auditors

Grant Thornton UK LLP
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Hampshire
SO15 2DP

NOMAD & Broker

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Arbuthnot House
20 Ropemaker Street
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EC2Y 9AR

Solicitors

Bond Pearce LLP
Bristol Bridge House
Redcliff Street
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Bankers

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Southampton
Hampshire
SO14 2NP

Barclays Asset & Sales Financing
PO Box 6751
Basingstoke
Hampshire, RG24 4HN



Directors' Report

The Directors have pleasure in presenting their Report and the Financial Statements of the Group for the year ended 31 July 2008.

Principal activities and business review

The principal activity of the Company was that of a holding company of a human capital resources business.

The principal activity of the Group during the year was that of a human capital resources business dealing with contract and permanent recruitment in the Private and Public sector.

The Group is organised in three sectors, Engineering, Built Environment and Support Services, with niche activities within each sector. The Group is one of the UK's largest recruitment businesses. In addition to its core service, the Group is one of the leaders in graduate recruitment, with strong links to universities, colleges and other educational establishments.

There have not been any significant changes in the Group's principal activities in the year under review and the Directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year. A full business review, including discussion of non-financial performance indicators, is presented in the Managing Director's report on pages 4 and 5.

Directors

The Directors who served during the period were:

Executive directors	
Adrian Gunn	(Managing Director)
Tony Dyer	(Finance Director)
Paul Raine	(Resources Director)
Non-Executive directors	
George Materna	(Chairman)
Andrew White	(Deputy Chairman)
Stephen Burke	
Ric Piper	

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 Remuneration Report on pages 15 to 18.

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.

Directors' Responsibilities

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

Under that law the Directors have to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The financial statements are required by law to give a true and fair view of the state of affairs of 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 reasonable and prudent judgments and estimates
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

In so far as the Directors are aware there is no relevant audit information of which the Group's auditors are unaware; and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are 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.

Going concern

The Directors consider that the Group and the company have adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing 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.



Directors' Report continued...

Results and Dividends

The trading results for the year, and the Group's financial position at the end of the year are shown in the financial statements on pages 20 to 40.

The Company has paid the following dividends:

Per Share Pence	Paid on	2008 £'000	2007 £'000
20.0p	20 October 2006	0	4,414
4.4p	21 June 2007	0	1,013
9.3p	30 November 2007	2,148	0
5.0p	24 June 2008	1,161	0
		3,309	5,427

The Directors have recommended the following dividends:

Per Share Pence	To be paid on	2008 £'000	2007 £'000
9.3p	30 November 2007		2,148
10.6p	5 December 2008	2,462	0
		2,462	4,414

Substantial Shareholders

In addition to the Directors' interests shown in the Remuneration Report on pages 15 to 18, and in accordance with Part 22 of the Companies Act 2006 and the Transparency Rules of the UK Listing Authority, the Company has been notified that the following shareholders' interests exceeded 3.0% of the Company's Ordinary share capital in issue at the date of this report:

Shareholder	%
George Materna	33.9%
State Street Nominees (OM04)	9.5%
Paul Raine	7.9%
Octopus Asset Management	5.4%
Corus Pension Services	3.2%
Andrew White	4.7%
Mr & Mrs Stephen Searle	4.0%

Principal Risks

The Board makes ongoing assessments of the whole business to identify, evaluate and address the business and financial risks faced by the Group by way of risk assessments, external audit and advice, operational review and approval and an open and direct access to the executive team for all employees. The Group has identified the following business risks:

- the economic cycle and dependence on key clients; recruitment is closely linked to the general performance of the economy and its cyclical nature. The Group seeks to mitigate some of this risk by focusing on recurring project based contract business in sectors where there is a long term

prognosis for growth. Nevertheless, 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, it may have a material adverse effect on the prospects for the Group.

- contractual risk; the Group has one contract under which it supplies for the construction of aircraft tailplanes. Typically as a recruitment consultancy, Matchtech will source engineering contractors who will provide engineering services to a client, under the supervision of that client. Under this specific engineering design services contract Matchtech takes more responsibility for the performance of the services and the output of the services than otherwise may be the case if it were acting as a recruitment consultant. Accordingly, a project management system has been implemented to monitor the project performance and to assist with ongoing risk assessment and management. The Board reviews the performance management on a monthly basis as has extended the Group's insurances to include product liability.
- compliance and regulatory obligations and changes; the Group works closely with its financial and legal advisors, in-house compliance team and its governing body, the Recruitment and Employment Confederation (REC) to ensure that the business is up to date on these issues and that systems are in place to minimise the risk of non-conformance.
- technology systems; there is a risk that IT systems become out of date. The Group employs its own team of in-house developers to ensure that its systems are constantly maintained and developed to meet the latest requirement of the business.
- markets and competition; the recruitment market is highly fragmented and competition is intense. The Group Board and Executive regularly meets to discuss and agree strategy to minimise this risk.
- shortage of candidates and skills; the Group seeks to mitigate this risk by working hard to maintain its own candidate database, to provide the best service possible to candidates and to retain as many contractors as possible.
- loss of business continuity; operating from one site, the Group is at risk from loss of business continuity, however the Group has strengthened its business continuity strategy and has built a highly resilient infrastructure within the Group's two building environment and has also contracted a further Disaster Recovery facility where our staff would relocate to in the event of a major disaster, and these processes have been tested and audited and Matchtech has achieved accreditation to BS25999 the new Business Continuity Standard.
- loss of key management and staff; the Group understands the risk of losing key staff, especially given the Board's growth plans, and aims to mitigate this risk by developing its staff in-house, giving them clear objectives and career paths, with the goal of building a resilient succession planning environment.



Corporate governance

A report on Corporate Governance is set out on pages 12 to 14.

Corporate responsibility

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

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 2008 it is estimated that 59% 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 Group also has a number of share options remaining to be exercised from its Enterprise Management Incentive Scheme ('EMI').

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.

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.

The Community

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 £14,000 (2007:

£5,000). 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.

Quality

The Group is ISO 9001:2000 accredited. As one of the UK's leading specialist recruitment agencies, Matchtech 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 Matchtech 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. Matchtech has a robust business continuity strategy and has built a highly resilient infrastructure within the Group's two building environment and has a further Disaster Recovery facility where our staff would relocate to in the event of a major disaster.

Policy on the payment of creditors

It is the Group's policy to agree payment terms with suppliers when orders are placed. Payments are made in accordance with these terms provided the suppliers comply with relevant terms and conditions.

The Group had 17 creditor days (2007: 9 days) outstanding at 31 July 2008 based on the average daily cost of sales and invoicing during the year.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

Registered office:

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

By order of the Board

Tony Dyer Group
Finance Director & Company Secretary
14 October 2008



Corporate Governance

The Board is committed to achieving high standards of corporate governance and will continue to manage the Group in an efficient, effective and entrepreneurial manner for the benefit of shareholders over the longer term.

Introduction

Whilst the Company is not subject to the Combined Code applicable to companies listed on the Official List, the Directors recognise the importance of sound corporate governance. The Company intends to comply with the Corporate Governance Guidelines for AIM Companies as published by the Quoted Companies Alliance (as far as applicable).

The Board is responsible for the governance of the Company and ensures, through the supervision of its management, the integrity of the Group's accounting and financial reporting systems and that the appropriate controls are in place, including those for monitoring risk, financial control and compliance with the law.

The Board

The Board operates with the following 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 is 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. 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.

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 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 2008.

All Directors have access to the advice and services of Tony Dyer, the Finance Director and Company Secretary, who is 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. The Board recognises the benefit of performance evaluation of the Board, Directors and Board Committees.

During the year each of the Executive Directors undertook a performance evaluation, co-ordinated by the Chairman. The Nominations Committee reviewed the composition of the Board, including in the context of the Group's growth strategy. The Board anticipates undertaking an initial performance evaluation of the Board as a whole for inclusion in the Annual Report for the year to 31 July 2009.

Committees of the Board

The Board has three established Committees for Audit, Remuneration and Nominations. The Committees have terms of reference which will be reviewed annually by the Board; copies 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 Ric Piper, who is the Committee's Chairman, and Stephen Burke. Both are independent Non-Executive Directors.

The Committee's central function is review the scope of the external audit, to receive direct reports from the External Auditors and to review the half yearly and annual financial statements before they are presented to the Board, focusing in particular on accounting policies and compliance, areas of management judgement and estimates and the effectiveness of internal control procedures. Part of each meeting will be with the auditors without Executive Board members present. The key elements of processes used by the Audit Committee to review



the effectiveness of the system of internal control will include:

- Review of significant Group risks reported by the Group Executive and the Board;
- Discussion with management on risk areas identified by management and/or the audit process

The Board and the Audit Committee will monitor the cost effectiveness of audit and non-audit work performed by the Auditors and will also consider the potential impact, if any, on the corporate relationship with the Auditors before awarding any non-audit work. The appointment of Auditors and level of fees payable for both audit and non-audit work are agreed by the Committee.

The Board and Audit Committee also review the independence of the External Auditors. The Auditors will report to the Audit Committee on matters including independence and non-audit fees on an annual basis. In addition, the role of audit partner is rotated periodically.

• Remuneration Committee

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

Its duties include reviewing the performance of Executive Directors, determining the employment packages of the Executive Directors and the need to ensure the Executive Directors' commitment to the continued success of the Group by means of incentive schemes to enhance performance and align the interests of the Executive Directors with those of shareholders. The Committee also reviews the employment packages of other senior managers.

The Committee is also responsible for the implementation and subsequent monitoring of the share based incentive schemes.

In determining the Executive Directors' remuneration for the year, the Committee consulted the Chairman about its proposals (except for his own remuneration). No Director or senior manager participates in meetings at which his own remuneration is under consideration.

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

The Committee continues to monitor the following constituent elements to ensure that they offer the best available incentive to Executive Directors and senior managers to enhance shareholder value:

- basic salary and other benefits;
- performance bonus payable for the achievement of in year targets; and
- medium term share incentives.

• Nominations Committee

The Nominations Committee comprises George Materna, who is the Committee's Chairman, with the independent Non-Executive Directors Ric Piper and Stephen Burke.

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

Attendance

The following table details attendance at Board and Committee meetings in the year.

Attendance	Board		Audit		RemCo		NomCo	
	Max	Actual	Max	Actual	Max	Actual	Max	Actual
George Materna	11	11					1	1
Adrian Gunn	11	11						
Tony Dyer	11	11						
Paul Raine	11	11						
Ric Piper	11	9	2	2	2	2	1	1
Stephen Burke	11	10	2	2	2	2	1	1
Andrew White	11	10						

Non-Executive Directors

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 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 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 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 not currently a Senior Independent Director although there is a deputy Chairman. The Board will review annually the need for a Senior Independent Director.

Group Executive

The Group Executive is responsible for the management of the business and is chaired by the Group Managing Director. Its members currently comprise Adrian Gunn the Group Managing



Corporate Governance continued....

Director, Tony Dyer the Group Finance Director and Paul Raine the Group Resources Director. It meets regularly throughout the year.

The principal role of the Group Executive is to ensure the Group Management Team is directed to implement the requirements of the Board and the Company's shareholders.

The respective roles of the Board and Group Executive are discussed further under Internal Control below.

The Company seeks to have a development framework to assist the Chairman, Executive Directors and Non-Executive Directors in discharging their responsibilities effectively. Non-Executive Directors meet regularly with members of the Group Executive and other senior managers and receive regular business updates via scheduled presentations.

Internal control

The Board has accountability for reviewing and approving the adequacy and effectiveness of internal controls operated by the Group, including financial, operational and compliance controls and risk management and this is intended to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable not absolute assurance against material misstatement or loss. It is the role of the Group Management Team to implement the agreed policies on risk and control. No material internal control issues arose during the year.

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.

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 2009.

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.

- **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**

Matchtech is a corporate member of the Recruitment and Employment Confederation (REC). Matchtech 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.

Matchtech seeks to fully comply with the REC Code of Ethics, The Employment Agencies Act and Conduct Regulations 2003 and the REC Code of Professional Practice. Matchtech 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.

- **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. Forecasts for the Group are updated and reviewed by the Board regularly.

Investor Relations

The Board gives communication with all shareholders a high priority.

The Annual and Interim Reports are sent to all shareholders and all shareholders are invited to the Company's AGM, which is attended by the full Board. Appropriate updates of trading performance and business successes will be communicated. The Board welcomes the views of all shareholders and other stakeholders, which in the first instance should be made to the Chairman.

If they are requested to do so, the Non-Executive Directors will make themselves available for the regular investor meetings to be held by the Chairman, Managing Director and Group Finance Director.

The Annual Report is designed to present a balanced and understandable view of the Groups' activities and prospects. The Chairman's Statement, Group Managing Director's Report and the Group Finance Director's Review provide an assessment of the Group's affairs and position.



Directors' Remuneration

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

As Matchtech Group plc is an AIM listed company rather than a fully listed company it is not required to disclose 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 Directors' Remuneration Report.

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 of 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 Directors and other senior executives. It seeks to provide a remuneration package that aligns the interests of Executive Directors with that of the shareholders.

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, incentive and other benefits.

It receives advice from independent remuneration consultants, Halliwell Consulting and makes comparisons with similar organisations.

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

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

The Non-Executive Directors have letters of appointment stating their annual fee and that their appointment is subject to satisfactory performance and their re-election at forthcoming 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 Independent Non-Executive Directors do not receive any pension or other benefits, other than out-of-pocket expenses, from the Group, nor do they 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;
- pension benefits

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

The basis of the base salary, profit bonus and annual profit growth bonus elements of the Executive Directors' remuneration is set in the following relationship to the Managing Director's remuneration:

	Managing Director	Finance Director	Resources Director
Full Time	100%	80%	-
Pro Rata (4 days)	-	-	64%

• Base salary and benefits

The Committee establishes salaries and benefits by reference to those prevailing in the employment market generally for Executive Directors 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.

	Managing Director	Finance Director	Resources Director
Full Time	0.50%	0.40%	-
Pro Rata (4 days)	-	-	0.32%



Directors' Remuneration continued...

• 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	Managing Director	Finance Director	Resources Director Pro rata 4 days
0%-5%	1.00%	0.80%	0.64%
5%-10%	2.00%	1.60%	1.28%
10%-15%	3.00%	2.40%	1.92%
15%-20%	4.00%	3.20%	2.56%
20%-25%	5.00%	4.00%	3.20%
25%+	6.00%	4.80%	3.84%

The baseline pre-tax profit for 2006/07 was £10,432,988.

• Share options conditional upon performance

During the year the Company operated a Long Term Incentive Plan (LTIP) for Executive Directors and key staff.

The Executive Directors receive an annual grant of zero-priced share options. The full time equivalent annual grant is £100,000 for the Managing Director and £80,000 for the Finance Director and £64,000 pro-rata for the Resources Director. The number of shares granted is based upon the closing market price of the Company's shares on the day before the grant of the share options.

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 Company'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 companies of listed recruitment companies; and

• Total Shareholder Return ('TSR') performance.

For the purposes of this report, the Company's TSR has been calculated using the three months to the 4 September 2008.

LTIP Grant	27/10/2006	15/11/2007
Comparator Group	29 companies	27 companies
Upper Quartile	(17.55%)	(33.61%)
Median	(32.08%)	(42.24%)
Lower Quartile	(53.38%)	(54.52%)
Matchtech	(5.50%)	(39.13%)
Matchtech Ranking	5th	12th

Source: Halliwell Consulting

• 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:-

(note: Earnings Per Share for the purpose of a performance measure for the LTIPs is calculated excluding the non-recurring items of the sales and profits of the US business sold on 31 August 2006 as well as the IPO costs as calculated in Note 11 to the Financial Statements, and 2006 Earnings Per Share has been restated as calculated under IAS 12).

Average Annual Earnings Per Share Growth	% Maximum Number of Shares
0% - 15%	0%
15% - 16%	25%
16% - 17%	30%
17% - 18%	35%
18% - 19%	40%
19% - 20%	50%
20% - 21%	60%
21% - 22%	70%
22% - 23%	80%
23%+	100%

• Earnings per Share Growth performance

	LTIP Grant 2006/07		LTIP Grant 2007/08	
	EPS	Growth	EPS	Growth
Baseline	25.05p		31.63p	
Year 1	31.63p	26%	38.25p	21%
Year 2	38.25p	21%	-	-
Year 3	-	-	-	-
Required for full vesting	46.61p	22%	58.86p	24% pa

• Share Incentive Plan

During the year the Company 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").

Matchtech 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 with Matchtech and the "Invest" shares remaining in the plan throughout the holding period.



On 31 July 2008, 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	771	771
Tony Dyer	771	771
Paul Raine	771	771
Total	2,313	2,313

• **Pension Benefits**

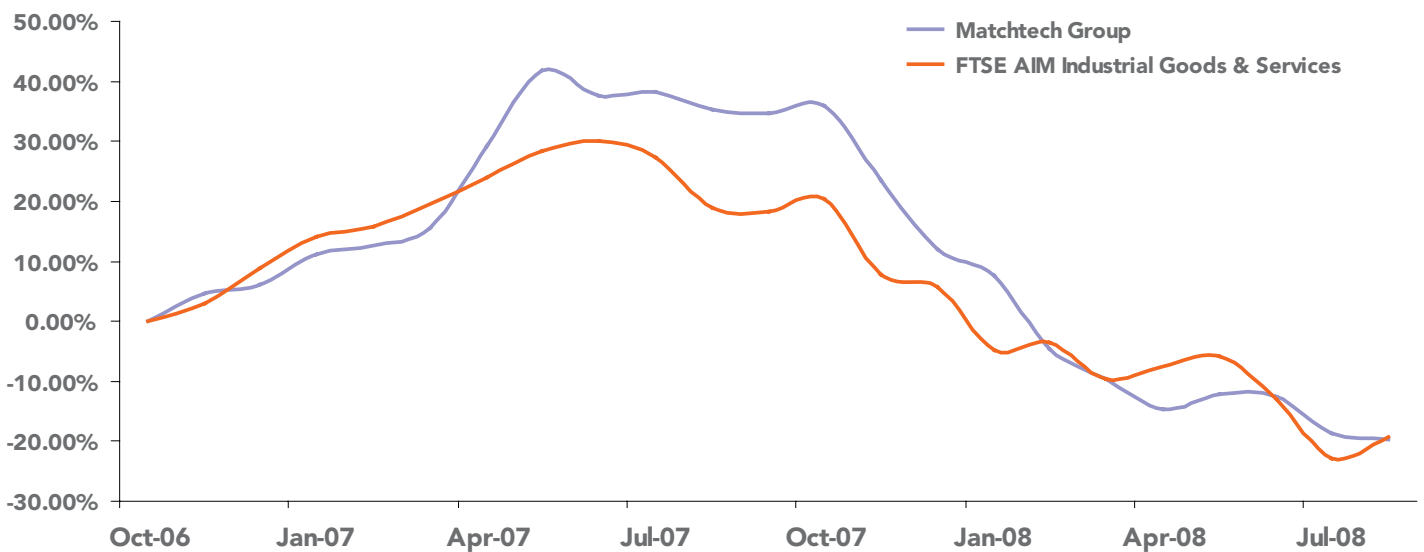
The Company contributes 10% of Executive Directors Adrian Gunn and Tony Dyer's basic salary into a Group Personal Pension Plan and 10% of Executive Director Paul Raine's salary into an Executive Pension Plan. In addition, the Executive Directors contribute into their pension schemes by way of Salary Sacrifice.

• **Share Scheme Review**

As originally planned, following the third annual grant of options, the Remuneration Committee will undertake a full review of the scheme in 2009.

TSR performance for the year against market comparator

The graph below illustrates the Total Shareholder Return of the Company for year 27 October 2006 to 31st July 2008 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 Company appears and is also used for comparing pay and benefit levels.



Directors' Remuneration continued...

AUDITED INFORMATION

Share Price

On 31st July 2008, the closing market price of Matchtech Group plc Ordinary shares was 266.50 pence. The highest and lowest prices of these shares during the year were 471.50 pence on 8 August 2007 and 262.50 pence on 30 July 2008 respectively, based on the London Stock Exchange Daily Official List.

Directors' remuneration

The table below summarises all Directors' emoluments and pension contributions for the current and the prior year for comparison. No payments for loss of office were made during the year and no other awards were made to any Director.

Director	Salary & Fees	Pension	Benefits	Bonus	2008 Total	2007 Total
	£000	£000	£000	£000	£000	£000
George Materna	19	76	2	0	97	125
Adrian Gunn	154	24	12	130	320	301
Tony Dyer	116	27	11	105	259	228
Paul Raine	92	22	13	83	210	267
Andrew White	36	0	2	0	38	34
Ric Piper	36	0	0	0	36	33
Stephen Burke	36	0	0	0	36	38
Total	489	149	40	318	996	1,026

*Benefits in kind include car allowances, medical and life insurance.

Directors' interests in shares and share options

The cost recognised by the Group under IFRS 2 in respect of share based payment arrangements with Directors was £108,443 (2007: £60,338).

The Directors' interests in the share capital of the Company at 31 July 2008 are shown below.

Director	Ordinary shares at 1 August 2007	Change in year	Ordinary shares at 31 July 2008	% of share capital
George Materna	7,877,405	0	7,877,405	33.9%
Adrian Gunn	398,141	5,697	403,838	1.7%
Tony Dyer	278,190	(18,190)	260,000	1.1%
Paul Raine	1,832,721	2,057	1,834,778	7.9%
Andrew White	4,135,719	0	4,135,719	4.7%

Share Options

Director/ Scheme	As at 1 August 2007	Options Granted/ (Exercised)	As at 31 July 2008	Date at which exercisable	Expiry Date
Adrian Gunn					
EMI	4,053	(4,053)	0		
EMI	1,651	(1,651)	0		
LTIP	25,806	0	25,806	27/10/09	27/10/16
LTIP	0	25,944	25,944	15/11/10	15/11/10
Tony Dyer					
EMI	1,817	(1,817)	0		
LTIP	25,806	0	25,806	27/10/09	27/10/16
LTIP	0	18,868	18,868	15/11/10	15/11/10
Paul Raine					
EMI	2,064	(2,064)	0		
LTIP	32,258	0	32,258	27/10/09	27/10/16
LTIP	0	15,095	15,095	15/11/10	15/11/10

Share Options exercised in year

Director/ Scheme	Number of shares exercised	Share Option Grant Price	Market Price at date of exercise	Gain on options at date of exercise
Adrian Gunn				
EMI	4,053	£0.89	£4.51	£14,672
EMI	1,651	£1.46	£2.93	£2,427
Tony Dyer				
EMI	1,817	£1.46	£2.93	£2,671
Paul Raine				
EMI	2,064	£1.46	£2.93	£3,034

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

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



Auditor's Report

Report of the independent auditor to the members of Matchtech Group plc

We have audited the Group and parent Company financial statements (the "financial statements") of Matchtech Group PLC for the year ended 31 July 2008 which comprise the principal accounting policies, the Group income statement, the Group and parent company balance sheets, the Group and parent company cash flow statements and the Group and parent company statement of changes in members' equity. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Managing Director's Report that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Group Chairman's Statement, the Group Managing Director's Report, the unaudited part of the Directors' Remuneration Report, the Group Finance Director's Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material

inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 July 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985 of the state of the company's affairs as at 31 July 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Southampton
14 October 2008

Annual Report & Accounts 2008

Consolidated Income Statement

for the year ended 31st July 2008

	Note	2008 £'000	2007 £'000
CONTINUING OPERATIONS			
Revenue		258,830	202,779
Cost of Sales		(225,596)	(175,902)
GROSS PROFIT	3	33,234	26,877
Cost of admission to AIM		0	(572)
Other administrative expenses		(19,442)	(15,623)
Total administrative expenses		(19,442)	(16,195)
OPERATING PROFIT	4	13,792	10,682
Finance income		79	20
Finance cost	7	(1,074)	(831)
PROFIT BEFORE TAX		12,797	9,871
Income tax expense	10	(3,705)	(3,162)
PROFIT FROM CONTINUING OPERATIONS	3	9,092	6,709
Discontinued operations			
Profit from discontinued operations	5	0	67
PROFIT FOR THE PERIOD		9,092	6,776

EARNINGS PER ORDINARY SHARE

	Note	2008 pence	2007 pence
Basic	Continuing operations	39.34	29.86
	Discontinued operations	0.00	0.30
	Total	39.34	30.16
Diluted	Continuing operations	38.25	29.14
	Discontinued operations	0.00	0.29
	Total	38.25	29.43

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Statement Of Changes In Equity

for the year ended 31st July 2008

A) GROUP	Foreign Currency Translation Reserve	Share Capital	Share premium	Other reserve	Share based payment reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2006	0	221	2,009	229	338	4,884	7,681
Currency translation differences from foreign operations	3	0	0	0	0	0	3
Net income recognised directly in equity	3	0	0	0	0	0	3
Profit for the year	(3)	0	0	0	0	6,776	6,773
Total recognised income/expense for the year	0	0	0	0	0	6,776	6,776
Dividends in the year	0	0	0	0	0	(5,428)	(5,428)
Deferred tax movement re share options	0	0	0	0	0	644	644
IFRS 2 credit	0	0	0	0	321	0	321
IFRS 2 reserves transfer	0	0	0	0	(273)	273	0
EBT reserve movement	0	0	0	(5)	0	5	0
New share capital	0	9	820	0	0	0	829
	0	9	820	(5)	48	(4,506)	(3,634)
At 31st July 2007	0	230	2,829	224	386	7,154	10,823
At 1 August 2007	0	230	2,829	224	386	7,154	10,823
Profit for the year	0	0	0	0	0	9,092	9,092
Total recognised income/expense for the year	0	0	0	0	0	9,092	9,092
Dividends in the year	0	0	0	0	0	(3,310)	(3,310)
Deferred tax movement re share options	0	0	0	0	0	(296)	(296)
IFRS 2 credit	0	0	0	0	539	0	539
IFRS 2 reserves transfer	0	0	0	0	(131)	131	0
New share capital	0	2	216	0	0	0	218
	0	2	216	0	408	(3,475)	(2,849)
At 31st July 2008	0	232	3,045	224	794	12,771	17,066

B) COMPANY

	Share Capital	Share Premium	Retained Earnings	Total
	£'000	£'000	£'000	£'000
At 1st August 2006	221	2,009	(1,289)	941
Profit for the year	0	0	6,765	6,765
Total recognised income/expense for the year	0	0	6,765	6,765
New share capital	9	820	0	829
Dividends paid in the year	0	0	(5,428)	(5,428)
At 31st July 2007	230	2,829	48	3,107
At 1st August 2007	230	2,829	48	3,107
Profit for the year	0	0	3,321	3,321
Total recognised income/expense for the year	0	0	3,321	3,321
New share capital	2	216	0	218
Dividends paid in the year	0	0	(3,310)	(3,310)
At 31st July 2008	232	3,045	59	3,336

A dividend will be declared from Matchtech Group UK Limited prior to the payment of the proposed dividend outlined in note 8.

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Balance Sheets

as at 31st July 2008

		GROUP		COMPANY	
	Note	2008 £'000	2007 £'000	2008 £'000	2007 £'000
NON-CURRENT ASSETS					
Intangible assets	12	170	133	0	0
Property, plant and equipment	13	1,809	1,699	0	0
Investments	15	0	0	250	250
Deferred tax asset	14	292	529	0	0
Total Non-Current Assets		2,271	2,361	250	250
CURRENT ASSETS					
Trade and other receivables	16	38,565	31,984	2,880	2,203
Cash and cash equivalents		297	836	211	656
Total Current Assets		38,862	32,820	3,091	2,859
TOTAL ASSETS		41,133	35,181	3,341	3,109
LIABILITIES					
Current Liabilities					
Trade and other payables	17	(18,930)	(12,617)	0	0
Current tax liability		(1,788)	(1,068)	(5)	(2)
Bank loans and overdrafts		(3,349)	(6,924)	0	0
- short term borrowings					
- current portion of long term borrowings		0	(1,666)	0	0
		(24,067)	(22,275)	(5)	(2)
Non-current liabilities					
Long term borrowings	19	0	(2,083)	0	0
TOTAL LIABILITIES		(24,067)	(24,358)	(5)	(2)
NET ASSETS		17,066	10,823	3,336	3,107
EQUITY					
Called-up equity share capital	21	232	230	232	230
Share premium account		3,045	2,829	3,045	2,829
Merger reserve		224	224	0	0
Share based payment reserve		794	386	0	0
Profit and loss account		12,771	7,154	59	48
TOTAL EQUITY		17,066	10,823	3,336	3,107

These financial statements were approved by the directors on the 14th October 2008, and signed on its behalf by:

Tony Dyer
Finance Director

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Consolidated Cash Flow Statement

for the year ended 31st July 2008

	GROUP		COMPANY	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation	9,092	6,776	3,321	6,765
Adjustments for:				
Depreciation	643	499	0	0
Profit on disposal of discontinued operation	0	(59)	0	0
Foreign exchange gain on disposal of discontinued operation	0	(3)	0	0
Loss on disposal of property, plant and equipment	27	0	0	0
Interest income	(79)	(20)	(16)	(8)
Interest expense	1,074	831	0	0
Taxation expense recognised in profit and loss	3,705	3,162	5	3
Increase in trade and other receivables	(6,385)	(7,514)	(678)	(996)
Increase in trade and other payables	6,313	4,119	0	(652)
Share based payment charge	540	321	0	0
Investment income	0	0	(3,309)	(5,428)
Cash generated from operations	14,930	8,112	(677)	(316)
Interest paid	(1,074)	(831)	0	0
Income taxes paid	(3,241)	(2,205)	(2)	(1)
NET CASH FROM OPERATING ACTIVITIES	10,615	5,076	(679)	(317)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of Matchtech Inc	0	105	0	0
Purchase of plant and equipment	(880)	(960)	0	0
Proceeds from sale of plant	62	28	0	0
Interest received	79	20	16	8
Dividend received	0	0	3,309	5,428
NET CASH USED IN INVESTING ACTIVITIES	(739)	(807)	3,325	5,436
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital	218	829	218	829
(Repayments to)/proceeds from long-term borrowings	(7,257)	699	0	0
Dividends paid	(3,309)	(5,428)	(3,309)	(5,428)
NET CASH USED IN FINANCING	(10,348)	(3,900)	(3,091)	(4,599)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(472)	369	(445)	520
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	659	290	656	136
CASH AND CASH EQUIVALENTS AT END OF PERIOD	187	659	211	656
ANALYSIS OF CASH AND CASH EQUIVALENTS				
	GROUP		COMPANY	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Cash and cash equivalents	297	836	211	656
Bank Overdraft	(110)	(177)	0	0
	187	659	211	656

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1. THE 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 Group is organised in three sectors, Engineering, Built Environment and Support 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 2008, our first annual reporting date at which we are required to use IFRS accounting standards as adopted by the EU.

Matchtech Group plc's consolidated and company financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 July 2007. The date of transition to IFRS was 1 August 2006. The comparative figures in respect of 2007 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in note 2.

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.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared on the basis of taking the following exemptions:

- business combinations prior to 1 August 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations".
- cumulative translation differences on foreign operations are deemed to be nil at 1 August 2006. Any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date.
- the transitional arrangements of IFRS 2 Share Based Payments have been applied. In accordance with transitional arrangements, IFRS has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 August 2006.

iii 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.

Intra-group transactions are eliminated on consolidation.

iv 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.

v 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
Equipment	12.50%	Straight Line

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

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vi 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.

ii 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.

viii 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.

ix 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.

x 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.

xi Share based payment

The transitional arrangements of IFRS 2 have been applied to all grants of equity instruments after 7 November 2002 that were invested 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.

xii Exceptional items

Non-recurring items which are sufficiently material are presented separately within their relevant consolidated income statement category. This helps to provide a better understanding of the group's financial performance.

xiii 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.

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xiv Discontinued operations

A discontinued operation is a cash-generating unit, or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and:

- represents a separate line of business or geographic area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

The disclosures for discontinued operations in the prior period relate to all operations that have been discontinued by the balance sheets date for the latest period presented.

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.

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, on demand deposits and bank overdrafts.

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 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.
- "Foreign currency reserve" represents the foreign exchange difference arising on retranslation of the assets of Matchtech Inc.
- "Profit and loss reserve" represents retained profits.

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xx 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 the "Foreign currency reserve" 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.

xxi Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the group accounts. Any assets held by the EBT cease to be recognised on the group balance sheet when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the group income statement.

xxii Financial risk management

Details of the Group's financial risk management policies and objectives as they relate to financial instruments, comprising discussion of the risks the Group faces, including liquidity risk, and its responses to them, are included within the Group Finance Director's Review under the heading Group Financial Risk Management.

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

Invoice discounting facility

The terms of this arrangement are judged to be such that the risk and rewards of ownership of the trade receivables do not pass to the finance provider. As such the receivables are not derecognised on draw-down of funds against this facility.

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.

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 4 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 judgments. Considerable judgment 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 debtors 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 16.

Share based payments

The key assumptions used in estimating the fair values of options granted to employees under IFRS 2 are detailed under Note 21.

xxiv Employee benefits

The financial liability in relation to outstanding holiday pay is recognised on the balance sheet with the expense being charged as a payroll cost.

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2. TRANSITIONAL ARRANGEMENTS

These are the Group's first annual consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below. There were no changes to the Company's financial statements resulting from the transition therefore no transition statement has been presented for the Company.

Reconciliation of equity at 1 August 2006

	UK GAAP	IAS 12	IAS 17	IAS 19	IFRS
	£'000	Income Taxes £'000	Leases £'000	Employee Benefits £'000	as restated £'000
EQUITY					
Called-up equity share capital	221	0	0	0	221
Share premium account	2,009	0	0	0	2,009
Other reserves	567	0	0	0	567
Retained earnings	4,454	566	(64)	(72)	4,884
TOTAL EQUITY	7,251	566	(64)	(72)	7,681

Reconciliation of consolidated balance sheet and equity at 31 July 2007

	UK GAAP	IAS 1	IAS 12	IAS 17	IAS 19	IFRS
	£'000	Presentation of financial statements £'000	Income Taxes £'000	Leases £'000	Employee Benefits £'000	as restated £'000
NON-CURRENT ASSETS						
Intangible assets	133	0	0	0	0	133
Property, plant and equipment	1,699	0	0	0	0	1,699
Deferred tax assets	0	124	405	0	0	529
CURRENT ASSETS						
Trade and other receivables	32,108	(124)	0	0	0	31,984
Cash and cash equivalents	836	0	0	0	0	836
		0				
CURRENT LIABILITIES						
Trade and other payables	(12,474)	0	0	(67)	(76)	(12,617)
Tax liability	(1,068)	0	0	0	0	(1,068)
Bank loans and overdrafts	(8,590)	0	0	0	0	(8,590)
NON-CURRENT LIABILITIES						
Bank loan	(2,083)	0	0	0	0	(2,083)
NET ASSETS	10,561	0	405	(67)	(76)	10,823
EQUITY						
Called-up equity share capital	230	0	0	0	0	230
Share premium account	2,829	0	0	0	0	2,829
Other reserves	610	0	0	0	0	610
Retained earnings	6,892	0	405	(67)	(76)	7,154
TOTAL EQUITY	10,561	0	405	(67)	(76)	10,823

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Reconciliation of consolidated income statement for year ended 31 July 2007

	UK GAAP	IAS 1	IAS 12 ¹	IAS 17	IAS 19	IAS 21	IFRS
	Presentation of financial statements £'000	Income Taxes £'000	Leases £'000	Employee Benefits £'000	Foreign Exchange Rates £'000	as restated £'000	
Revenue	202,914	(135)	0	0	0	0	202,779
Cost of sales	(176,019)	117	0	0	0	0	(175,902)
Gross Profit	26,895	(18)	0	0	0	0	26,877
Administration Costs	(15,627)	10	0	(2)	(4)	0	(15,623)
Cost of admission to AIM	(572)	0	0	0	0	0	(572)
Profit on sale of discontinued operation	59	(59)	0	0	0	0	0
Finance Income	19	0	0	0	0	0	19
Finance Cost	(830)	0	0	0	0	0	(830)
Profit before tax	9,944	(67)	0	(2)	(4)	0	9,871
Taxation	(2,359)	3	(806)	0	0	0	(3,162)
Profit for the period	7,585	(64)	(806)	(2)	(4)	0	6,709
Profit from discontinued operations	0	64	0	0	0	3	67
Profit for the period from total operations	7,585	0	(806)	(2)	(4)	3	6,776

Notes to the reconciliations

IAS 1 Presentation of financial statements

Under UK GAAP, the deferred tax asset was classified as a current asset. Under IFRS the deferred tax asset is classified as a non-current asset.

Under UK GAAP, the income statement provided full disclosure of each line item relating to discontinued operations. Under IFRS, only the profit from the discontinued operation is disclosed on the income statement.

IAS 12 Income Taxes

Under FRS 19, deferred tax was recognised only on timing differences; in contrast IAS 12 "Income Taxes" requires the recognition of deferred tax on all temporary differences which specifically impacts the recognition of deferred tax in relation to share based payments.

Under FRS 19, the deferred tax asset on the cost of options recognised was restricted to the amount calculated by applying the prevailing corporation tax rate to the total cost in the year calculated under FRS20. Under IFRS the deferred tax asset recognised is the cost of options outstanding based on the fair value at the period end date multiplied by the prevailing rate of corporation tax. The deferred tax asset has been adjusted in line with IFRS requirements.

The tax effect of gains and losses on exercise of share options in the period is recognised through the income statement only to the extent that a corresponding charge has been recorded as remuneration expense under the requirements of IFRS2, Share Based Payments. The excess of the tax effect over the cumulative IFRS2 charge is recognised directly in equity.

¹ This adjustment was not reflected in the transition statements presented in the interim financial statements for the period to 31 January 2008. The impact of this adjustment is an increase of £806,000 to the tax charge and a corresponding decrease in profit for the year ended 31 July 2007.

IAS 17 Leases

Under UK GAAP, the rent-free period lease incentive was spread over the period from the start of the lease to the first break clause. Under IFRS, the incentive is spread over the non-cancellable contracted period of the lease term.

IAS 19 Employee benefits

Under UK GAAP, the company chose not to accrue for outstanding staff holiday pay at the balance sheet date. IFRS requires that the accrual be calculated at each balance sheet date.

IAS 21 The Effects of Changes in Foreign Exchange Rates

On the disposal of Matchtech Inc the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal. Under UK GAAP the difference was shown as a movement in reserves.

Cash Flow statement

Application of IFRS has resulted in reclassification of certain items in the cash flow statement as follows:

Profit after taxation has been adjusted as per the reconciliation above. (Operating profit was used in the Annual Report for 2007 in the reconciliation to net cash inflow from operating activities).

Movements in trade and other receivables and trade and other payables have been adjusted to account for the IFRS adjustments to the provisions on the balance sheet as shown in the reconciliations of consolidated balance sheets and income statements above. These relate to the reclassification of the deferred tax asset between trade and other receivables and non current assets and the adjustments to the rent free period and staff holiday reserves.

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3 SEGMENTAL INFORMATION

The revenue, gross profit and profit before tax are attributable to the one principal activity of the group. The group's primary segment is industry segment, and its secondary is geographical.

	2008 £'000	2007 £'000
A segmental analysis of revenue is given below:		
Engineering	147,977	129,299
Built Environment	69,186	40,046
Support Services	41,667	33,434
Continuing operations	258,830	202,779
Discontinued Operations	0	135
Total	258,830	202,914

	2008 £'000	2007 £'000
A segmental analysis of gross profit is given below:		
Engineering	16,786	14,833
Built Environment	9,039	6,000
Support Services	7,409	6,044
Continuing operations	33,234	26,877
Discontinued Operations	0	18
Total	33,234	26,895

	2008 £'000	2007 £'000
A segmental analysis of operating profit is given below:		
Engineering	7,562	5,896
Built Environment	3,977	2,384
Support Services	2,253	2,402
Continuing operations	13,792	10,682
Discontinued Operations	0	8
Total	13,792	10,690

The Group operates from a single site with assets being centrally held. For this reason a segmental analysis of assets and liabilities has not been presented.

The Directors consider that the group does not generate material profits from overseas operations and have therefore not presented geographic information.

4 OPERATING PROFIT

	2008 £'000	2007 £'000
Operating profit is stated after charging:		
Depreciation	643	499
Loss on disposal of property, plant and equipment	31	0
Auditors' remuneration	39	30
	4	11
	14	119
Operating lease costs:	12	8
	536	424
Net (profit)/loss on foreign currency translation	(6)	4

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5 DISCONTINUED OPERATIONS

On 31st August 2006 Matchtech Group UK Ltd sold the shares of Matchtech Inc for consideration of £105,000, giving a profit on disposal of £59,000. The profit from Matchtech Inc has been included under discontinued operations in the consolidated income statement. The income statement of Matchtech Inc is set out below.

	2008 £'000	2007 £'000
Revenue	0	135
Cost of Sales	0	(117)
GROSS PROFIT	0	18
Administrative Expenses	0	(10)
OPERATING PROFIT	0	8
Finance income	0	0
Finance cost	0	0
PROFIT BEFORE TAX	0	8
Profit on disposal of discontinued operation	0	59
Income tax expense	0	(3)
Foreign exchange gain	0	3
PROFIT FROM DISCONTINUED OPERATIONS	0	67

6 PARTICULARS OF EMPLOYEES

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

	2008 No.	2007 No.
Selling	215	148
Administration	60	66
Directors	7	7
Total	282	221

The aggregate payroll costs of the above were:

	2008 £'000	2007 £'000
Wages and salaries	11,394	9,183
Social security costs	1,325	1,082
Other pension costs	744	648
Total	13,463	10,913

Disclosure of the remuneration of Key Management Personnel, as required by IAS 24, is covered by the audited part of the Directors Remuneration Report.

7 FINANCE COSTS

	2008 £'000	2007 £'000
Bank interest payable	1,074	831

8 DIVIDENDS

	2008 £'000	2007 £'000
Equity dividends paid during the year at 14.3 pence per share (2007: 24.1p)	3,310	5,428
Equity dividends proposed after the year-end (not recognised as a liability) at 10.6 pence per share (2007: 9.3p)	2,462	2,148

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9 PARENT COMPANY PROFIT

	2008 £'000	2007 £'000
The amount of profit (loss) dealt with in the accounts of the company is	11	1,337

The company has taken advantage of the exemption in S230 of the Companies Act (1985) not to present the parent company's income statement.

10 INCOME TAX

	2008 £'000	2007 £'000
Current Tax		
UK Corporation Tax	3,932	3,177
Prior year under provision	(77)	1
	3,855	3,178
Deferred tax (note 14)	(150)	(16)
Tax on profit on ordinary activities	3,705	3,162

UK corporation tax has been charged at 29.33% (2007 – 30%).

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

	2008 £'000	2007 £'000
Profit before tax	12,797	9,871
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29.33% (2007: 30%)	3,753	2,961
Expenses not deductible for tax purposes	18	17
Exceptional items not deductible for tax purposes	0	183
Change in deferred tax rate	11	0
Adjustments to tax charge in respect of previous periods	(77)	1
Current tax charge for period	3,705	3,162

Tax charge/(credit) recognised directly in equity:

	2008 £'000	2007 £'000
Current tax recognised directly in equity	(91)	(806)
Deferred tax recognised directly in equity	387	162
Total tax recognised directly in equity	296	(644)

Factors that may affect future tax charges

Based on current capital investment plans, and the changes in capital allowance rules effective April 2008, the group expects depreciation to exceed capital allowances in the future.

A deferred tax asset has been recognised in the balance sheet in respect of the cost of employee share options. This will become recoverable when the options are exercised.

None of the companies have losses carried forward available for offset against future profits and the directors are confident that the group will continue to be profitable in coming years.

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11 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 earnings per share information has been calculated as follows:

		2008	2007
		£'000	£'000
Profit after tax attributable to ordinary shareholders	Continuing operations	9,092	6,709
	Discontinued operations	0	67
Total		9,092	6,776
		2008	2007
		'000s	'000s
Weighted average number of ordinary shares in issue		23,111	22,470
Effect of dilutive potential ordinary shares		660	556
Total		23,771	23,026
		pence	pence
Earnings per ordinary share	- basic	39.34	29.86
		0.00	0.30
Total		39.34	30.16
		pence	pence
	- diluted	38.25	29.14
		0.00	0.29
Total		38.25	29.43

Earnings Per Share for the purpose of a performance measure for the LTIPs is calculated excluded the non-recurring items of the sales and profits of the US business sold on 31st August 2006 as well as the non-recurring costs of the flotation as calculated below. (See 'Earnings per share growth' within the Directors' Remuneration Report).

		2008	2007
		£'000	£'000
Profit on ordinary activities after taxation		9,092	6,776
Cost of admission to AIM		0	572
Profit after tax of discontinued operations		0	(5)
Profit on sale of discontinued operations		0	(59)
Profit on ordinary activities after taxation but before non-recurring items		9,092	7,284
		pence	pence
Earnings per ordinary share	- basic	39.34	32.42
	- diluted	38.25	31.63

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12 INTANGIBLE ASSETS

Group		Software Licences £'000
COST	At 1st August 2006	150
	Additions	37
	At 1st August 2007	187
	Additions	86
	At 31st July 2008	273
AMORTISATION	At 1st August 2006	22
	Charge for the year	32
	At 1st August 2007	54
	Charge for the year	49
	At 31st July 2008	103
NET BOOK VALUE	At 31st July 2007	133
	At 31st July 2008	170

13 PROPERTY, PLANT AND EQUIPMENT

Group		Motor Vehicles £'000	Office Equipment £'000	Computer Equipment £'000	Total £'000
COST	At 1st August 2006	1,194	947	514	2,655
	Additions	329	364	230	923
	Disposals	(116)	0	0	(116)
	At 1st August 2007	1,407	1,311	744	3,462
	Additions	472	190	131	793
	Disposals	(155)	(114)	(11)	(280)
	At 31st July 2008	1,724	1,387	864	3,975
DEPRECIATION	At 1st August 2006	515	557	312	1,384
	Charge for the year	216	140	111	467
	Released on disposal	(88)	0	0	(88)
	At 1st August 2007	643	697	423	1,763
	Charge for the year	275	174	145	594
	Released on disposal	(105)	(75)	(11)	(191)
	At 31st July 2008	813	796	557	2,166
NET BOOK VALUE	At 31st July 2007	764	614	321	1,699
	At 31st July 2008	911	591	307	1,809

There were no capital commitments as at 31st July 2008 (2007: £nil)

14 DEFERRED TAX

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
The deferred tax asset is represented by:				
Temporary difference on share based payments				
At start of year	529	675	0	0
Recognised in income	150	16	0	0
Recognised in equity	(387)	(162)	0	0
At end of year	292	529	0	0

The rate of UK corporation tax applied to deferred tax calculations is 28% (2007: 30%).

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15 INVESTMENTS

	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Shares in group companies	0	0	250	250
Total	0	0	250	250

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

On 31st August 2006 Matchtech Group UK Ltd sold the shares of Matchtech Inc for consideration of £105,000. The results of Matchtech Inc have been included under discontinued operations in the consolidated income statement.

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade debtors	38,298	31,672	0	0
Amounts owed by group companies	0	0	2,880	2,203
Other debtors	49	55	0	0
Prepayments	218	257	0	0
Total	38,565	31,984	2,880	2,203

The amount owed to group undertakings in the company balance sheet is considered to approximate fair value.

The number of days sales outstanding at the end of the period was 54 days (2007: 57 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 £6,293,000 (2006: £7,799,000) 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 Directors consider all trade receivables not past due to be fully recoverable.

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	
	2008 £'000	2007 £'000
0-30 days	5,558	6,448
30-60 days	619	1,042
60-90 days	29	151
90+ days	87	158
	6,293	7,799

Movement in the allowance for doubtful debts

	Group	
	2008 £'000	2007 £'000
Balance at the beginning of the period	183	116
Impairment losses recognised	16	67
	199	183

Ageing of impaired trade receivables

	Group	
	2008 £'000	2007 £'000
0-30 days	0	0
30-60 days	0	0
60-90 days	0	11
90+ days	199	172
	199	183

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17 TRADE AND OTHER PAYABLES

	Group		Group	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade creditors	149	54	0	0
Taxation and Social Security	5,049	5,376	0	0
Other creditors	10,667	4,140	0	0
Accruals and deferred income	3,065	3,047	0	0
Total	18,930	12,617	0	0

The working capital facility is secured by way of an all assets debenture, dated 5 August 2002, which contains fixed and floating charges over the assets of Matchtech Group UK Limited. The facility held with Barclays Bank allows the company to borrow up to 90% of its invoiced debtors up to a maximum of £20 million. Interest is charged on borrowings at a rate of 1.0% over Barclays Bank base rate.

18 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	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade and other receivables				
- Loan and receivables	38,347	31,727	2,880	2,203
Cash and cash equivalents				
- Loan and receivables	297	836	211	656
Total	38,644	32,563	3,091	2,859

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

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Current liabilities				
Borrowings				
- Financial liabilities recorded at amortised cost	3,349	8,590	0	0
Trade and other payables				
- Financial liabilities recorded at amortised cost	10,816	4,194	0	0
Non current liabilities				
Borrowings				
- Financial liabilities recorded at amortised cost	0	2,083	0	0
Total	14,165	14,867	0	0

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

19 LONG TERM BORROWINGS

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank loan	0	2,083	0	0

The bank loan was cleared on 31st July 2008.

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20 COMMITMENTS UNDER OPERATING LEASES

At 31st July 2008 the group had commitments to pay the following amounts under non-cancellable operating leases as set out below.			Group 2008 £'000	2007 £'000	Company 2008 £'000	2007 £'000
Land/buildings	Leases falling due:	within 1 to 5 years	583	783	0	0
		after 5 years	2,494	2,779	0	0
Other	Leases falling due:	within 1 year	1	6	0	0
		within 1 to 5 years	9	12	0	0

The lease on 1400 Parkway, which expires in March 2017 has a break clause exercisable in June 2011. The annual commitment has therefore been classified in the expiration within 1 to 5 year category. There are no applicable renewal clauses in the current lease agreements.

21 SHARE CAPITAL

Authorised share capital	2008 £'000	2007 £'000
40,000,000 Ordinary shares of £0.01 each	400	400
Allotted, called up and fully paid:	2008 £'000	2007 £'000
23,225,000 Ordinary shares of £0.01 each	232	230

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 01/08/2006	22,071,610		
27/10/2006	348,254	69	243,778
27/11/2006	31,955	366	117,115
27/11/2006	31,955	0	320
22/12/2006	767	0	8
30/01/2007	736	0	7
26/02/2007	658	0	7
30/03/2007	668	0	7
27/04/2007	573	0	6
25/05/2007	485	0	5
01/06/2007	539,140	86	466,705
11/06/2007	947	88	839
25/06/2007	1,447	0	14
At 31/7/2007	23,029,195		828,811
27/08/2007	436	0	4
28/09/2007	447	0	4
31/10/2007	454	0	5
05/11/2007	70,872	89	63,781
23/01/2008	17,131	0	171
08/04/2008	9,174	133	12,293
12/05/2008	5,692	145	8,310
05/06/2008	75,336	145	109,991
28/07/2008	16,619	145	24,264
Total	23,225,356		1,047,634

Share Options

The following options arrangements exist over the Company's shares

	2008 '000s	2007 '000s	Date of grant	Exercise price pence	Exercise period	
Key Share Options	24	48	18/06/2004	70	18/06/2005	to 18/06/2014
Key Share Options	0	34	08/11/2004	89	08/11/2005	to 08/11/2014
Key Share Options	142	218	01/12/2005	146	01/06/2007	to 01/12/2015
Target/Loyalty Share Options	3	3	05/03/2003	70	14/07/2005	to 05/03/2013
Target/Loyalty Share Options	2	2	18/06/2004	70	18/06/2005	to 18/06/2014
Target/Loyalty Share Options	2	6	08/11/2004	89	14/07/2006	to 08/11/2014
Target/Loyalty Share Options	26	72	01/12/2005	146	01/12/2006	to 01/12/2015
Long Term Incentive Plan Options	260	269	26/10/2006	1	27/10/2009	to 27/10/2016
Long Term Incentive Plan Options	7	8	26/01/2007	1	26/01/2010	to 25/01/2017
Long Term Incentive Plan Options	292	0	15/11/2007	1	15/11/2010	to 14/11/2017
Total	758	660				

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In the year the company operated an EMI Share Option Scheme. No EMI share options were granted during the year. All options exercised during the year were EMI share options.

The Group also operates a Long Term Incentive Plan (LTIP). LTIP awards are nil-cost options granted to senior staff subject to a three year holding period and the achievement of performance targets. LTIP options have a life of 10 years. The number and weighted average exercise price of share options granted, forfeited and exercised in the year were as follows.

	2008			2007		
	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)	Number '000s	Weighted average exercise price (pence)	Weighted average share price (pence)
Outstanding at 1st August	660	75.6		1,294	95.5	
Granted	302	1.0		295	1.0	
Forfeited	33	29.9		41	69.5	
Exercised	171	122.8	361.0	888	80.1	411.0
Outstanding at 31st July	758	75.6	75.6	660	75.6	75.6
Exercisable at 31st July	200	134.2	134.2	93	78.2	78.2

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

Exercise Date	2008			2007		
	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)	Weighted average remaining contract life (months)	Number '000s	Weighted average exercise price (pence)
27/10/2009	15	260	1.0	27	269	1.0
30/01/2010	18	7	1.0	27	8	1.0
06/11/2010	27	292	1.0	0	0	0.0
Total		559			277	

The fair values of the LTIPS were calculated using a Monte Carlo simulation method along with the assumption as detailed in the table below. In the year the Group operated a Share Incentive Plan (SIP). The SIP 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 SIPs were calculated as the market value 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 (£)
27/10/2006	LTIP	3.45	0.01	30.4%	3.00	10%	4.6%	1.96
30/01/2007	LTIP	3.79	0.01	30.7%	3.00	10%	5.0%	2.20
27/11/2006	SIP	3.67	0.01	N/A	3.00	N/A	N/A	3.67
22/12/2006	SIP	3.67	0.01	N/A	3.00	N/A	N/A	3.67
30/01/2007	SIP	3.79	0.01	N/A	3.00	N/A	N/A	3.79
26/02/2007	SIP	4.02	0.01	N/A	3.00	N/A	N/A	4.02
30/03/2007	SIP	4.00	0.01	N/A	3.00	N/A	N/A	4.00
27/04/2007	SIP	4.40	0.01	N/A	3.00	N/A	N/A	4.40
25/05/2007	SIP	4.75	0.01	N/A	3.00	N/A	N/A	4.75
25/06/2007	SIP	4.83	0.01	N/A	3.00	N/A	N/A	4.83
27/07/2007	SIP	4.73	0.01	N/A	3.00	N/A	N/A	4.73
15/11/2007	LTIP	4.24	0.01	30.1%	3.00	10%	4.6%	2.68
30/08/2007	SIP	4.61	0.01	N/A	3.00	N/A	N/A	4.61
28/09/2007	SIP	4.60	0.01	N/A	3.00	N/A	N/A	4.60
26/10/2007	SIP	4.69	0.01	N/A	3.00	N/A	N/A	4.69
30/11/2007	SIP	4.12	0.01	N/A	3.00	N/A	N/A	4.12
02/01/2008	SIP	3.73	0.01	N/A	3.00	N/A	N/A	3.73
25/01/2008	SIP	3.58	0.01	N/A	3.00	N/A	N/A	3.58
29/02/2008	SIP	3.19	0.01	N/A	3.00	N/A	N/A	3.19
28/03/2008	SIP	3.02	0.01	N/A	3.00	N/A	N/A	3.02
25/04/2008	SIP	2.88	0.01	N/A	3.00	N/A	N/A	2.88
30/05/2008	SIP	2.97	0.01	N/A	3.00	N/A	N/A	2.97
27/06/2008	SIP	2.90	0.01	N/A	3.00	N/A	N/A	2.90
25/07/2008	SIP	2.68	0.01	N/A	3.00	N/A	N/A	2.68

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

- The IFRS2 charge for the year ended 31st July 2008 is £538,916 (2007: £320,948)

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22 TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

The company was under the direction of G D P Materna, A P Gunn, A S Dyer, P J Raine and A F White throughout the period. As disclosed in the Directors' Report, the directors are each personally interested in 33.9%, 1.7%, 1.1%, 7.9% and 4.7% respectively, of the company's issued share capital.

There were no material related party transactions with the directors during the period.

With the exception of dividends paid from Matchtech Group UK Limited to Matchtech Group PLC of £5,747,000 on 20th October 2006, £1,013,107 on 18th June 2007, £2,148,431 on 27th November 2007 and £1,160,666 on 19th June 2008 there are no other related party transactions in the company accounts.

23 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 Finance Director's report under the heading Group financial risk management.

Maturity of financial liabilities

The group financial liabilities analysis at 31 July 2008 was as follows:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
In less than one year or on demand:				
Bank overdrafts	109	176	0	0
Bank loans	-	1,667	0	0
Revolving credit facility	-	-	0	0
Working capital facility	3,240	6,747	0	0
	3,349	8,590	0	0
In more than one year but less than two years:				
Bank and other borrowings	0	1,666	0	0
In more than two years but less than five years:				
Bank and other borrowings	0	417	0	0

Borrowing facilities

(i) The bank loan was fully repaid in 2008 and replaced by a revolving credit facility whereby the Group may borrow up to £7.5 million subject to satisfaction of the requirements of the facility. The interest rate of the loan is set at 1.1% above the LIBOR lending rate. The maturity date is set by interest period at the commencement of the loan. Each advance is repaid on that date but the revolving facility allows any amount repaid to be available for redrawing.

(ii) The undrawn facility available at 31 July 2008 of the Working Capital facility in respect of which all conditions precedent had been met was as follows:

	Group	
	2008	2007
	£'000	£'000
Expiring in one year or less	16,760	13,253

The working capital facility is secured on the total assets of the group as explained in note 17.

The working capital facility was reviewed by the facility providers in September 2008 and renewed for a further twelve months.

The Directors have calculated that the approximate effect on profit of a 1% movement in interest rates would be £100,000.

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

Net foreign currency monetary assets

	2008	2007
	£'000	£'000
Euros	19	138

In the Directors' opinion, the exposure to Foreign Currency risk and Interest Rate risk is not material to the Group and has therefore not included sensitivity analyses in these areas.

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Notes

forming part of the financial statements

24 STANDARDS AND INTERPRETATIONS IN ISSUE, NOT YET EFFECTIVE

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

Standard		Effective date (Annual periods beginning on or after)
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 12	Service Concession Arrangements	1 January 2008
IAS 23	Borrowing Costs (revised 2007)	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 July 2009
IAS 1	Presentation of Financial Statements (revised 2007)	1 January 2009
IAS 32	Financial Instruments: Presentation	1 January 2009
IFRS 2	Share-based Payment - Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 1 & IAS 27	Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IAS 39	Amendment - Financial Instruments: Recognition and Measurement - Eligible Hedged Items	1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

Based on the Group's current business model and accounting policies, management does not expect material impacts on the figures in the Group's financial statements when the interpretations become effective. Management does anticipate a significant impact on disclosures in the financial statements arising from IAS 1 (revised 2007).

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

25 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.

Notice of Annual General Meeting

Matchtech Group plc

(Registered in England and Wales under registered number 4426322)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (**the Meeting**) of Matchtech Group plc (**Company**) will be held at The Solent Hotel, Rookery Avenue, Whiteley, Fareham, Hampshire PO15 7AJ on 21 November 2008 at 12 noon for the following purposes:

Ordinary resolutions

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

- 1 to receive and adopt the Company's annual accounts for the financial year ended 31 July 2008 together with the directors' report and auditors' report on those accounts.
- 2 to declare a final dividend of 10.6p per share for the year ended 31 July 2008.
- 3 to re-elect Stephen Burke who is retiring from office by rotation as director of the Company.
- 4 to re-elect Ric Piper who is retiring from office by rotation as director of the Company.
- 5 to re-elect Tony Dyer who is retiring from office by rotation as director of the Company.
- 6 to reappoint Grant Thornton LLP as auditors who hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company in general meeting, at a remuneration to be determined by the directors;
- 7 that the directors are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (Act) to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to the aggregate nominal amount of £95,593. The authority hereby conferred shall expire, unless previously varied, renewed or revoked by the Company in general meeting, on the date of the Company's next annual general meeting, provided that the Company may, prior to such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry in which case the directors may allot such securities pursuant to such offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass the following resolutions which will be proposed as a special resolutions:

Special Resolutions

- 8 that subject to the passing of resolution 6 set out in the notice convening this Annual General Meeting the directors are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) as if Section 89(1) of the Act did not apply to any such allotment provided that:
 - (a) the power conferred hereby shall expire on the date of the next annual general meeting of the Company unless renewed, extended, varied or revoked by the Company in general meeting;
 - (b) the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and
 - (c) is limited to:
 - (i) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the Company's capital in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and/or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory;
 - (ii) the allotment of equity securities pursuant to the terms of The Matchtech Group plc 2006 Long Term Incentive Plan and The Matchtech Group plc Share Incentive Plan or any other employees' share option scheme approved by the members in general meeting
 - (iii) allotments of equity securities for cash otherwise than pursuant to paragraph (c) (i) above up to an aggregate nominal amount of £20,000.
- 9 That the Company be generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 to make market purchases (as defined in section 163 of that Act) of ordinary shares of the Company provided that:
 - (a) the maximum aggregate number of aggregate ordinary shares which may be purchased is 2,322,536;
 - (b) the minimum price which may be paid for each ordinary shares is £0.01;
 - (c) the maximum price (excluding expenses) which may be paid for any ordinary share does not exceed the higher of:
 - (i) 5% above the average closing price of such shares for the five business days on the Alternative Investment Market of the London Stock Exchange prior to the date of purchase; and
 - (ii) the higher of the last independent trade and the highest current independent bid on the Alternative Investment Market of the London Stock Exchange; and

this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2009 or on 21 November 2009 whichever is the earlier, unless such authority is renewed prior to that time (except in relation to the purchase of ordinary shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry).
- 10 That with effect from the end of this Annual General Meeting or any adjournment thereof, the Articles of Association of the Company be and are hereby amended so that they shall be in the form of the amended articles of association produced to the meeting, marked 'A' and initialled by the Chairman for the purposes of identification.

14 October 2008

By order of the Board

Tony Dyer

Group Finance Director & Company Secretary

Proxy Notes

Matchtech Group plc

Registered in England and Wales under registered number 4426322

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

Notes:

- 1 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
- 3 A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.
- 4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you must contact the Company's Registrar, Capita Registrars at 4th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7HH not later than 12 noon on 19 November 2008.
- 5 To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- 6 To be effective, this form of proxy, duly completed, together with any power of attorney under which it is executed or a notarially certified copy of it (failing previous registration with the Company), must be lodged with the Company's Registrar, Capita Registrars at 4th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7HH to arrive not later than 12 noon on 19 November 2008.
- 7 As an alternative to completing this hard-copy proxy form, you can appoint a proxy electronically by [refer to Capita's website]. For an electronic proxy appointment to be valid, your appointment must be received by the Company's Registrar, Capita Registrars, not later than 12 noon on 19 November 2008.
- 8 In the case of a member which is a company, this form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or a duly authorised officer of the corporation.
- 9 In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any of the joint holders. For these purposes, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
- 10 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy and would like to change the instructions using another form of proxy, please contact the Company's Registrar, Capita Registrars at 4th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7HH.
- 11 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 12 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrar, Capita Registrars at 4th Floor, Beaufort House, 15 St Botolph Street, London EC3A 7HH to arrive not later than 12 noon on 19 November 2008.
- 13 In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised attorney or a duly authorised officer of the corporation. Any power of attorney or any such authority under which the revocation notice is signed or a notarially certified copy of it (failing previous registration with the Company) must be included with the revocation notice.
- 14 Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- 15 Except as provided above, members who have general queries about the meeting should use the following means of communication (no other means of communication will be accepted):
 - (i) write to Tony Dyer, Company Secretary, Matchtech Group plc, 1450 Parkway, Solent Business Park, Whiteley, Fareham, Hampshire, PO15 7AF
You may not use the electronic address provided either:
 - (i) in this Notice of Annual General Meeting; or
 - (ii) any related documents (including the Chairman's letter and form of proxy),to communicate with the Company for any purposes other than those expressly stated.

Proxy for use at Annual General Meeting

Matchtech Group plc

Registered in England and Wales under registered number 4426322

For use by holders of ordinary shares in the capital of Matchtech Group plc (Company) in respect of the Annual General Meeting to be held at The Solent Hotel, Rookery Avenue, Whiteley, Fareham, Hampshire PO15 7AJ at 12 noon on 21 November 2008

I/We (in BLOCK CAPITALS please)

of Address (in BLOCK CAPITALS please)

..... Postcode

being (a) holder(s) of ordinary shares hereby appoint the Chairman of the Meeting or (see note 3) to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 21 November 2008 and at any adjournment of that meeting.

I/We request such proxy to vote on the resolutions set out in the notice convening such Annual General Meeting as I/we have indicated by marking the appropriate box with an 'X' and at his or her discretion on any other matter to be considered at the Meeting.

FOLD	Ordinary Resolutions	For	Against	FOLD
	1. To receive and adopt the Company's annual accounts for the financial year ended 31 July 2008 together with the directors' report and auditors' report on those accounts.			
	2. To declare a final dividend of 10.6p per share for the year ended 31 July 2008.			
	3. To re-elect Stephen Burke who is retiring from office by rotation as director of the Company.			
	4. To re-elect Ric Piper who is retiring from office by rotation as director of the Company.			
	5. To re-elect Tony Dyer who is retiring from office by rotation as director of the Company.			
	6. To reappoint Grant Thornton LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company in general meeting, at a remuneration to be determined by the directors.			
	7. That the directors are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (Act) to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to the aggregate nominal amount of £95,593. The authority hereby conferred shall expire, unless previously varied, renewed or revoked by the Company in general meeting, on the date of the Company's next annual general meeting, provided that the Company may, prior to such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry in which case the directors may allot such securities pursuant to such offer or agreement as if such authority had not expired.			
	Special Resolutions			
	8. That subject to the passing of resolution 6 set out in the notice convening this Annual General Meeting the directors are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) as if Section 89(1) of the Act did not apply to any such allotment provided that: (a) the power conferred hereby shall expire on the date of the next annual general meeting of the Company unless renewed, extended, varied or revoked by the Company in general meeting; (b) the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and is limited to: (i) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the Company's capital in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the Directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient to deal with equity securities representing fractional entitlements and/or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; (ii) the allotment of equity securities pursuant to the terms of The Matchtech Group plc 2006 Long Term Incentive Plan and The Matchtech Group plc Share Incentive Plan or any other employees' share option scheme approved by the members in general meeting; (iii) allotments of equity securities for cash otherwise than pursuant to paragraph (c) (i) above up to an aggregate nominal amount of £20,000.			
FOLD	9. That the Company be generally and unconditionally authorised for the purposes of section 166 Companies Act 1985 to make market purchases (as defined in section 163 of that Act) of ordinary shares of the Company provided that: (a) the maximum aggregate number of ordinary shares which may be purchased is 2,322,536; (b) the minimum price which may be paid for each ordinary shares is £0.01; (c) the maximum price (excluding expenses) which may be paid for any ordinary shares does not exceed the higher of: (i) 5% above the average closing price of such shares for the five business days on the Alternative Investment Market of the London Stock Exchange prior to the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the Alternative Investment Market of the London Stock Exchange; and this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2009 or 23 November 2009 whichever is the earlier, unless such authority is renewed prior to that time (except in relation to the purchase of ordinary shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry).			FOLD
	10. That with effect from the end of this Annual General Meeting or any adjournment thereof, the Articles of Association of Association of the Company be and hereby amended so that they shall be in the form of the amended articles of association produced to the meeting marked 'A' and initialised by the Chairman for the purposes of identification.			

Dated this.....day of2008.

Signature

Capita Registrars
Proxies Department
PO Box 25
BECKENHAM
Kent
BR3 4BR

Licence Number
MB 122

Notes

matchtech[®]
GROUP

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