

Half year financial report for the six months ended 31 January 2009

Matchtech Group plc ("Matchtech" or the "Group"), one of the UK's leading specialist technical recruitment companies, today announces its unaudited results for the six months ended 31 January 2009.

Financial Highlights for the six months ended 31 January 2009

- Revenue up 18% to £138.0 (2008 H1: £116.6m)
- Net Fee Income (NFI) up 8% to £16.6m (2008 H1: £15.3m)
- Contract NFI up 12% & Permanent recruitment fees up 2%
- NFI grew 13% in Quarter 1 and 3 % in Quarter 2
- Operating profit up 3% to £6.4m (2008 H1: £6.2m)
- Operating profit margin 4.6% (2008 H1: 5.3%)
- Profit before tax up 7% to £6.1m (2008 H1: £5.7m)
- Basic EPS up 12% to 19.03p (2008 H1: 17.02p)

- Interim dividend maintained at 5.0 pence per share (2008: 5.0 pence)

- Cash flow from operations £4.1m (2008 H1: £8.7m)
- Debtor Days 41.8 days (2008 H1: 40.3 days)
- Net debt reduced to £3.7m (2008 H1: £5.4m)
- Banking facilities of £27.5m extended for 2 years until March 2011

Trading since 31 January 2009 & Outlook

- Permanent recruitment fees in February and March 2009 were 26% lower than 12 months previously (December 2008 and January 2009: 20% lower). Contractor numbers at 31 March were essentially unchanged from 31 January 2009 however clients are increasingly placing pressure on contractor pay rates and our margins.
- Headcount has been reduced by 10% since 31 January 2009 and savings of £1.0m are expected to be realised in the year ending July 2010. In addition the Board is focused on tightly controlling capital expenditure.
- Based upon current market conditions and expected run rates, the outlook for remainder of financial year to 31 July 2009 is now below the Board's previous expectations.

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

"We are pleased with these first half results in what are increasingly very challenging economic conditions.

"In the six months to 31 January 2009 we have continued to grow; contract Net Fee Income was up 12%, while permanent fees were essentially unchanged from the same period last year. Operating margins have fallen due to a combination of operational gearing and pay rates and margins being put under increasing pressure. With lower interest costs and a write back of invested LTIP charges, we have increased Profits before tax by 7% to £6.1m. Basic earnings per share were up 12% to 19.03 pence per share.

"Since the period end the Group has extended its banking facilities with Barclays Bank for two years, giving the Group £27.5m of funding in place until 2011.

"The Board has also taken steps to align the Group's cost base with prevailing market conditions. We have reduced headcount by 10% from 315 at 31 January 2009 to 286 at 31 March 2009. These actions, along with the high variable element of both consultant and management remuneration and the flexibility and cost benefits from the Group's single site model will allow us to effectively manage the cost base going forward. We expect to make savings of c£1.0m in FY2010 plus tight control on capital expenditure.

"The Group continues to focus on those clients that operate in the publicly funded defence, transport and infrastructure sectors, where demand remains most resilient.

"As stated in our Trading Update on 9 February 2009, the economic climate is increasingly challenging, as evidenced by the significant reduction in growth in Quarter 2. This has continued into Q3 and the Group has much reduced visibility for the remainder of this financial year. Based upon current market conditions and expected run rates, the outlook for remainder of financial year to 31 July 2009 is now below the Board's previous expectations."

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Background on Matchtech

Matchtech Group plc is a specialist temporary, contract and permanent staffing business comprising of three operational business units that service the technical and professional recruitment market place. All the business units operate out of a single site location in Hampshire, the largest UK recruitment centre.

Established in 1984 we have evolved over the years to become a leading provider of recruitment outsourcing solutions. Our annual turnover for 2008/09 was £258million making us the 19th largest recruitment agency in the UK and this revenue has been achieved through organic growth.

The Group has a clear strategy to diversify its client base by offering a wider range of skills and services within the recruitment sector from its three business units, Engineering & Science, Built Environment & Professional Services Sectors.

MATCHTECH GROUP PLC

Interim report for the period ended 31 January 2009

Chairman's statement

Operating review

We are pleased with these first half results in what continue to be very challenging economic conditions.

The Group again saw growth in the Engineering and Professional Services, during the first half of the financial year, with Built Environment broadly performing at the same level as last year.

Sector	2009 H1 £m	2008 H1 £m	Change %
Engineering			
Net Fee Income	8.6	7.8	+10%
Operating Profit	3.7	3.4	+9%
Built Environment			
Net Fee Income	4.2	4.2	0%
Operating Profit	1.7	1.8	-6%
Professional Services			
Net Fee Income	3.8	3.2	+19%
Operating Profit	1.0	0.9	+11%

Engineering, our largest sector, continued to deliver growth. Demand remained robust in the Oil & Gas, Defence Electronics and Aerospace but unsurprisingly the Automotive sector (which accounts for 6% of NFI) has been adversely affected the most. We have a strong established brand in the Engineering sector and are working closely with clients to ensure that we support them through the current economic slowdown.

In the Built Environment, public sector investment is a major driver in this market and we have continued to see growth in infrastructure projects in Water and Civil Engineering. Demand in privately funded building projects has, as expected, reduced considerably. Overall the Built Environment has generated the same net fee income as the first half of last year.

The foundations laid and investment in new staff in the Professional Services sector has delivered good growth. However, with a higher proportion (around 49%) of permanent fee business than in the other 2 sectors (around 25%), there is greater potential volatility in this sector.

The Group has maintained a healthy balance between contract and permanent placements coupled with a highly diversified client and sector base providing a degree of protection against market volatility.

	2009 H1 £m	2008 H1 £m	Change %
Permanent placements			
Number of permanent placements	1,400	1,356	+3%
Permanent fees	£5.2m	£5.1m	+2%
Average permanent fees per placement	£3,708	£3,753	-1%
Contractors			
Number of working contractors	4,528	4,541	0%
Contract Net Fee Income	£11.4m	£10.2m	+12%
Net Fee Income			
Contract	69%	67%	+2%
Permanent	31%	33%	-2%

Financial Overview

The Group delivered good results in very challenging market conditions with both the Engineering and Professional Services sectors recording growth.

Revenue increased 18% to £138.0m (2008 H1: £116.6m), with Net Fee Income up 8% to £16.6m (2008 H1: £15.3m).

Operating profit was £6.4m, an increase of 3% (2008 H1: £6.2m), Operating profit included a write back of unvested LTIP charge of £0.3m (2008: £Nil) and restructuring charges of £0.1m (2008: £Nil). The operating margin was 4.6% (2008 H1: 5.3%). Operating margins have fallen due to a combination of operational gearing and pay rates and margins being put under increasing pressure.

With lower interest costs of £0.3m (2008: £0.5m) profits before tax were up by 7% to £6.1m (2008 H1: £5.7m).

Effective Rate of Tax

The effective rate of tax for the period is 27.1% (2008 H1: 30.8%). The reduction is primarily due to the reduction in the Standard Rate of UK Corporation tax from 30% to 28%.

Earnings per share

Basic earnings per share increased by 12% to 19.03p (2008 H1: 17.02p), with fully diluted earnings per share increasing by 9% to 18.10p (2008 H1: 16.46p)

Cash flow and Net debt

Cash inflows from operations in the period were £4.1m (2008 H1: £8.7m) representing cash conversion of 64% (2008 H1: 140%).

The major factor affecting the cash conversion relates to the timing effect on the payment of the weekly payroll creditor in relation to the closing working day of the period. At 31 July 2008 the period ended on a Thursday with a creditor of £10.4m, whilst at 31 January 2009 the period ended on a Friday with a creditor of £5.4m.

Capital expenditure was £0.3m (2008 H1: £0.7m).

Net debt (Bank loans and overdrafts plus cash) at 31 January 2009 was £3.7m (31 January 2008: £5.4m, 31 July 2008: £3.1m).

Debtor days at the end of the period stood at 41.8 (2008 H1: 40.3) with debtors over 90 days overdue £0.4m (2008 H1: £0.6m) and unimpaired debtors over 90 days overdue £0.0m (2008 H1: £0.5m)

Banking

Since the period end, the Group has extended its Confidential Invoice Discounting facility with Barclays Bank. The £20m facility will be in place for two years until 31 March 2011 at Barclays Bank Base Rate plus 1.9%. In addition the Group has in place a revolving credit facility of £7.5m with Barclays Bank until 27 May 2011.

Dividend

Reflecting the performance of our business in the first half and the current economic conditions, the Board has declared a maintained interim dividend of 5.0 pence per share.

The interim dividend will be paid on 23 June 2009 to those shareholders on the register at close of business on 5 June 2009.

People

Matchtech's key asset is the strength and stability of our management team and the quality of our staff.

At the 31 January 2009 sales staff numbers stood at 215 (January 2008: 189, July 2008: 209), reflecting the continued growth seen in the period. However, with the slowdown of demand seen in Quarter 2, we have taken steps to adjust the workforce accordingly and as at 31 March 2009 sales staff numbers stood at 197.

We have also reduced headcount in our support staff by 11% and, as at 31 March 2009, support staff numbers stood at 89, down from 100 at 31 January 2009.

Whilst we continue to review the cost base we will balance this with the need to retain quality staff to ensure we are able to react quickly to any improvement in demand.

I would like to thank all our staff on behalf of our shareholders for their strong and consistent contribution.

Board

Paul Raine, Resources Director, resigned from the Board and left the company by mutual agreement on 6 February 2009.

On behalf of the Board, I would like to thank Paul for his contribution to the development of Matchtech over the past 19 years. Matchtech is a much bigger and stronger business than the one he joined and he leaves with our thanks and our best wishes for the future.

There have been no other changes to the Board of directors during the period or subsequently.

Risk

As previously disclosed, change in the economic environment is one of the principal key risks for the Group and the Board remains vigilant to the potential impacts of the 'credit crunch' and a recession within our major markets.

The Group considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation are disclosed in the 2008 Annual Report and no other significant new risks have been identified in the period.

Trading since 31 January 2009 & Outlook

The Board has taken steps to ensure that the Group's cost base is appropriately aligned with prevailing market conditions. We have reduced headcount by 10% from 315 at the period end to 286 at 31 March 2009. These actions, along with the high variable element of both consultant and management remuneration and the flexibility and cost benefits from the Group's single site model will allow us to effectively manage the cost base going forward.

The Group continues to focus on those clients that operate in the publicly funded defence, transport and infrastructure sectors, where demand remains most resilient.

As stated in our Trading Update on 9 February 2009, the economic climate is increasingly challenging, as evidenced by the significant reduction in growth in Quarter 2, and the Group has much reduced visibility for the remainder of this financial year

Permanent recruitment fees in February and March 2009 were 26% lower than 12 months previously (December 2008 and January 2009: 20% lower). Contractor numbers at 31 March were essentially unchanged from 31 January 2009 but clients are placing pressure on contractor pay rates and our margins.

"Based upon current market conditions and expected run rates, the outlook for remainder of financial year to 31 July 2009 is now below the Board's previous expectations.

George Materna
Chairman

2 April 2009

CONDENSED CONSOLIDATED INCOME STATEMENT
for the period ended 31 January 2009

	Note	6 months to 31/01/09 <i>Unaudited</i> £'000	6 months to 31/01/08 <i>Unaudited</i> £'000	12 months to 31/07/08 £'000
CONTINUING OPERATIONS				
Revenue	2	138,015	116,562	258,830
Cost of Sales		(121,435)	(101,290)	(225,596)
GROSS PROFIT	2	16,580	15,272	33,234
Administrative expenses		(10,242)	(9,119)	(19,442)
OPERATING PROFIT	2	6,338	6,153	13,792
Finance income		4	18	79
Finance cost		(277)	(500)	(1,074)
PROFIT BEFORE TAX		6,065	5,671	12,797
Income tax expense	3	(1,645)	(1,745)	(3,705)
PROFIT FOR THE PERIOD		4,420	3,926	9,092

All of the activities of the group are classed as continuing.

EARNINGS PER ORDINARY SHARE

		pence	pence	pence
Basic	5	19.03	17.02	39.34
Diluted	5	18.10	16.46	38.25

CONDENSED CONSOLIDATED BALANCE SHEET
as at 31 January 2009

		31/01/2009	31/01/2008	31/07/2008
		<i>Unaudited</i>	<i>Unaudited</i>	
		£'000	£'000	£'000
ASSETS				
Non-current assets				
Property, plant and equipment		1,825	2,014	1,809
Intangible assets		165	186	170
Deferred tax assets		294	502	292
		2,284	2,702	2,271
Current Assets				
Trade and other receivables	7	34,086	29,039	38,565
Cash and cash equivalents		305	91	297
		34,391	29,130	38,862
TOTAL ASSETS		36,675	31,832	41,133
LIABILITIES				
Current liabilities				
Trade and other payables		(11,844)	(11,677)	(18,930)
Current tax liability		(1,775)	(1,773)	(1,788)
Bank loans and overdrafts	Short term borrowings	(4,015)	(2,556)	(3,349)
	Current portion of long term borrowings	0	(1,666)	0
		(17,634)	(17,672)	(24,067)
Non-current liabilities				
Long term borrowings		0	(1,251)	0
TOTAL LIABILITIES		(17,634)	(18,923)	(24,067)
NET ASSETS		19,041	12,909	17,066
Called-up equity share capital	6	232	231	232
Share premium account		3,045	2,892	3,045
Other reserves		1,026	859	1,018
Retained earnings		14,738	8,927	12,771
TOTAL EQUITY		19,041	12,909	17,066

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 January 2009

Note	6 months to 31/01/09 <i>Unaudited</i> £'000	6 months to 31/01/08 <i>Unaudited</i> £'000	12 months to 31/07/08 <i>Unaudited</i> £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation	4,420	3,926	9,092
Adjustments for:			
Depreciation	320	306	643
Profit on disposal of property, plant and equipment	0	(3)	27
Interest income	(4)	(18)	(79)
Interest expense	277	500	1,074
Taxation expense recognised in profit and loss	1,645	1,745	3,705
(Increase)/decrease in trade and other receivables	4,480	2,902	(6,385)
Increase/ (decrease) in trade and other payables	(7,087)	(891)	6,313
Share based payment charge	72	250	540
Cash generated from operations	4,123	8,717	14,930
Interest paid	(277)	(500)	(1,074)
Income taxes paid	(1,716)	(1,024)	(3,241)
NET CASH FROM OPERATING ACTIVITIES	2,130	7,193	10,615
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	(336)	(708)	(880)
Proceeds from sale of plant and equipment	6	37	62
Interest received	4	18	79
NET CASH USED IN INVESTING ACTIVITIES	(326)	(653)	(739)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	0	64	218
Proceeds from borrowings	729	(5,096)	(7,256)
Dividends paid	(2,463)	(2,148)	(3,310)
NET CASH USED IN FINANCING ACTIVITIES	(1,734)	(7,180)	(10,348)
NET INCREASE IN CASH AND CASH EQUIVALENTS	70	(640)	(472)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	187	659	659
CASH AND CASH EQUIVALENTS AT END OF PERIOD	257	19	187

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 January 2009

	Foreign currency translation reserve £'000	Share Capital £'000	Share Premium £'000	Other reserve £'000	Share based payment reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 August 2007	0	230	2,829	224	386	7,154	10,823
Profit for the period	0	0	0	0	0	3,990	3,990
Total recognised income and expense for the period	0	0	0	0	0	3,990	3,990
Dividends	0	0	0	0	0	(2,149)	(2,149)
Deferred tax movement re share options	0	0	0	0	0	(68)	(68)
IFRS 2 credit	0	0	0	0	249	0	249
IFRS 2 reserves transfer	0	0	0	0	(87)	87	0
New share capital	0	1	63	0	0	0	64
	0	1	63	0	162	(2,130)	(1,904)
Balance at 31 January 2008	0	231	2,892	224	548	9,014	12,909
Balance 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 and expense for the year	0	0	0	0	0	9,092	9,092
Dividends	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)
Balance at 31 July 2008	0	232	3,045	224	794	12,771	17,066
Balance at 1 August 2008	0	232	3,045	224	794	12,771	17,066
Profit for the period	0	0	0	0	0	4,420	4,420
Total recognised income and expense for the period	0	0	0	0	0	4,420	4,420
Dividends	0	0	0	0	0	(2,463)	(2,463)
Deferred tax movement re share options	0	0	0	0	0	(54)	(54)
IFRS 2 credit	0	0	0	0	72	0	72
IFRS 2 reserves transfer	0	0	0	0	(64)	64	0
New share capital	0	0	0	0	0	0	0
	0	0	0	0	8	(2,453)	(2,445)
Balance at 31 January 2009	0	232	3,045	224	802	14,738	19,041

NOTES

forming part of the financial statements

1 THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

i The business 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 Professional Services, with niche activities within each sector.

ii Basis of preparation of interim financial information

These interim condensed consolidated financial statements are for the six months ended 31 January 2009. They have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 July 2008 which have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 237 (2) and (3) of the Companies Act 1985.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 July 2009 or are expected to be adopted and effective at 31 July 2009.

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

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.

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.

v Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, 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.

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.

vii **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.

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 the revaluation of land) 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**

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.

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.

xiv **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.

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.

xv **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.

xvi **Cash and cash equivalents**

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

xvii **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.

xviii **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.
- "Other reserve" represents the equity balance arising on the merger of Matchtech Engineering and Matchmaker Personnel.
- "Profit and loss reserve" represents retained profits.

xix **Foreign currencies**

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

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

2 SEGMENTAL INFORMATION

The revenue and profit before tax are attributable to the one principal activity of the company.

(i) Segmental

	6 months to 31/01/09 Unaudited £'000	6 months to 31/01/08 Unaudited £'000	12 months to 31/07/08 Unaudited £'000
A segmental analysis of revenue is given below:			
Engineering	78,151	67,276	147,977
Built Environment	35,916	31,463	69,186
Professional Services	23,948	17,823	41,667
Total	138,015	116,562	258,830

A segmental analysis of gross profit is given below:

Engineering	8,588	7,803	16,786
Built Environment	4,170	4,226	9,039
Professional Services	3,822	3,243	7,409
Total	16,580	15,272	33,234

A segmental analysis of operating profit is given below:

Engineering	3,674	3,468	7,562
Built Environment	1,694	1,820	3,977
Professional Services	970	865	2,253
Total	6,338	6,153	13,792

(ii) Seasonality

With the first half of the financial year including holiday seasons in August and at Christmas when recruitment activity is quieter than normal, the second half of the year generally produces stronger results. Turnover in the 6 months to 31 January 2008 represented 45% of the annual total.

3 INCOME TAX EXPENSE

	6 months to 31/01/09 Unaudited £'000	6 months to 31/01/08 Unaudited £'000	12 months to 31/07/08 Unaudited £'000
Analysis of charge in the period			
Total income tax expense	1,645	1,745	3,705

The total tax charge is lower than the standard rate of corporation tax. The differences are detailed below:

Profit before tax	6,065	5,671	12,797
Corporation Tax at current rate 28% (31/01/08:30%, 31/07/08:29.33%)	1,698	1,701	3,753
Expenses not deductible for tax purposes	1	33	18
Change in deferred tax rate	0	11	11
Adjustments to tax charge in respect of previous periods	(54)	0	(77)
Total UK tax charge	<u>1,645</u>	<u>1,745</u>	<u>3,705</u>

4 DIVIDENDS

Dividends on shares classed as equity:	6 months to 31/01/09 Unaudited £'000	6 months to 31/01/08 Unaudited £'000	12 months to 31/07/08 Unaudited £'000
Paid during the period			
Equity dividends on ordinary shares	<u>2,462</u>	<u>2,148</u>	<u>3,309</u>

5 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:

	6 months to 31/01/09 Unaudited £'000	6 months to 31/01/08 Unaudited £'000	12 months to 31/07/08 Unaudited £'000
Profits			
Profit for the period	<u>4,420</u>	<u>3,926</u>	<u>9,092</u>
Number of Shares	000's	000's	000's
Weighted average number of ordinary shares in issue	23,231	23,070	23,111
Effect of dilutive potential ordinary shares under option	1,184	777	660
	<u>24,415</u>	<u>23,847</u>	<u>23,771</u>
Earnings per Share	pence	pence	pence
Earnings per ordinary share from continuing operations			
- Basic	19.03	17.02	39.34
- Diluted	18.10	16.46	38.25

6 SHARE CAPITAL

Authorised share capital	31/01/2009 £'000	31/01/2008 £'000	31/07/2008 £'000
40,000,000 Ordinary shares of £0.01 each	<u>400</u>	<u>400</u>	<u>400</u>
Allotted, called up and fully paid	31/01/2009 £'000	31/01/2008 £'000	31/07/2008 £'000
Ordinary shares of £0.01 each	<u>232</u>	<u>231</u>	<u>232</u>

The company issued the following shares in the periods:

	Ordinary shares of £0.01 issued	Share premium received pence per share	Consideration Received £
6 months to 31/01/08			
30/08/2007	436	nil	4
28/09/2007	447	nil	4
26/10/2007	454	nil	5
05/11/2007	70,872	89	63,781
30/11/2007	17,131	nil	171
6 months to 31/07/08			
08/04/2008	9,174	133	12,293
15/04/2008	4,587	145	6,697
12/05/2008	5,692	145	8,310
05/06/2008	75,336	145	109,991
28/07/2008	16,619	145	24,264
6 months to 31/01/09			
30/11/2008	3,571	nil	4
05/01/2009	2,218	nil	2
30/01/2009	2,433	nil	2

7 TRADE AND OTHER RECEIVABLES

	31/01/2009 £'000	31/01/2008 £'000	31/07/2008 £'000
Trade debtors	33,887	28,823	38,298
Other debtors	23	16	49
Prepayments	176	200	218
	<u>34,086</u>	<u>29,039</u>	<u>38,565</u>

Included in the Group's trade receivable balance are debtors with a carrying amount of £3,952,000 (2008: £7,075,000) 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.

Ageing of past due but not impaired trade receivables

	31/01/2009 £'000	31/01/2008 £'000	31/07/2008 £'000
0-30 days	3,025	4,725	5,558
30-60 days	669	1,370	619
60-90 days	258	520	29
90+ days	0	460	87
	<u>3,952</u>	<u>7,075</u>	<u>6,293</u>

Cautionary Statement

This half year financial information has been prepared for the shareholders of the Company, as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, this announcement has not been audited or otherwise independently verified. The Company and its directors and employees are not responsible for any other purpose or use or to any other person in relation to this announcement.

The report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the sectors in which the Group operates. These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Statement of Directors' Responsibilities

The directors confirm that this condensed consolidated half year financial information has been prepared in accordance with IAS 34, as adopted by the European Union, and that the half year management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

INDEPENDENT REVIEW REPORT TO MATCHTECH GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2009 which comprise the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and notes 1 to 7. We have read the other information contained in the interim report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union'.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Review Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

GRANT THORNTON UK LLP Chartered Accountants & Registered Auditors

No, 1 Dorset Street
Southampton
SO15 2DP

2 April 2009