

Matchtech Group plc
8 April 2010

Half year financial report for the six months ended 31 January 2010

NFI STABILISED, WELL POSITIONED FOR RECOVERY, INTERIM DIVIDEND MAINTAINED

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 2010.

Although these results reflect the impact of the challenging economic downturn on customers' activity levels compared with the two prior six month periods, since the second half of FY2008/09 the weekly run rate of permanent recruitment fees has stabilised and contractors on placement at 31 January 2010 were at a record level of 4,750, up 6% on 31 July 2009.

Highlights for the six months ended 31 January 2010

- Revenue of £125.4m (down 9% on 2009 H1; down 5% on 2009 H2)
- Net Fee Income (NFI) of £12.5m (down 25% on 2009 H1; down 9% on 2009 H2)
- Permanent recruitment fees stable at £2.8m (down 47% on 2009 H1; in line with 2009 H2)
- Record number of contractors on placement 4,750 at 31 January 2010 (up 6% on 31 January 2009; up 6% on 31 July 2009)
- Operational cost savings of £2.3m against 2009 H1
- Operating profit £4.5m (down 30% on 2009 H1; down 15% on 2009 H2)
- NFI Conversion 36.1% (2009 H1: 38.6%, 2009 H2: 38.7%)
- Profit before tax £4.4m (down 28% on 2009 H1; down 15% on 2009 H2)
- Basic EPS 13.58p (down 29% on 2009 H1; down 11% on 2009 H2)

- Interim dividend maintained at 5.0 pence per share (2009: 5.0 pence)

- Cash flow from operations £5.9m (up 44% on 2009 H1; up 4% on 2009 H2)
- Debtor days 43 days (2009 H1: 42 days; 2009 H2: 42 days)
- Net cash at end of period of £0.8m (31 January 2009: net debt £3.7m; 31 July 2009: net debt £1.2m).
- Banking facilities extended, £25.0m for 3 years until April 2013

Trading since 31 January 2010 & Outlook

- Permanent recruitment fees remain stable at the weekly run rate of 2010 H1.
- Over 5,000 contractors on placement during March 2010, an all time record and up 5% since 31 January 2010.
- Based upon current market conditions and expected run rates, the outlook for the full year is now slightly ahead of 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 remain challenging economic conditions. Increased business development work is resulting in increased exclusivity with customers, although levels of business remain subdued in many markets.

We took steps during 2009 to reduce the Group's cost base to reflect market conditions. With around 50% of the Group's NFI exposed to sectors dependent on the public sector, albeit much of it on long-term contracts, we will continue to monitor the impact of future changes to public sector expenditure to ensure resources remain appropriately aligned with market conditions.

At the same time we continue to invest in selected strategic initiatives. The new "elemense" Recruitment Process Outsourcing (RPO) brand, launched in July 2009, has shown early signs of success in delivering broader RPO services in the technical sector. We are now seeking to strengthen our business development activity in non-technical markets.

Our recently launched German operation, which focuses on the engineering market, has made a sound start in line with our expectations.

We increased the Group's headcount by 3% over the period, including making key senior appointments within Professional Services, a sector in which there are early signs of increased activity and one in which we are developing our plans for expansion in FY2010/11. Looking ahead we anticipate a material increase in the Group's sales force headcount over the coming months.

The strength and resilience of the business allows the Board to adhere to its strong dividend payout policy and the Board is pleased to declare a maintained interim dividend of 5.0 pence per share.

Although the economic climate remains subdued, the continued efforts of our staff in maintaining and developing our business, the relative stability of the marketplace during the period and signs of increased activity in some sectors, all give the Board increased optimism in its outlook for the current financial year. The Board now expects the results for the year to 31 July 2010 to be slightly ahead of its previous expectations and remains confident in the Group's prospects over the medium term."

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Background on Matchtech (AIM: MTEC.L)

Established in 1984, Matchtech specialises in the provision of contract and permanent staff and has grown organically to become one of the UK's leading technical and professional recruitment specialists.

Operating from a single UK site near Southampton, Matchtech provides predominantly professionally-qualified candidates to a broad range of clients across the UK in the Engineering, Built Environment and Professional Services sectors.

In August 2009 Matchtech commenced trading in Germany.

Website: www.matchtechgroupplc.com

Cautionary Statement

This interim 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. 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 countries, sectors and business segments 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.

MATCHTECH GROUP PLC

Interim report for the period ended 31 January 2010

Chairman's statement

Operating review

We are pleased with these first half results in what remain challenging economic conditions, and we are seeing an element of stability return to the business following a difficult 2009 H2.

There has been a shift in the contract/permanent mix with 77% of the Group's Net Fee Income (NFI) derived from contract placements (2009 H1: 69%), following the effect in the first half of the fall in demand for permanent placements in 2009 H2. However, average weekly permanent recruitment fees have now been at a stable level for 11 consecutive months from May 2009 to March 2010.

Whilst we have adjusted our headcount as the market changed, we have retained a strong core of consultants, who have the capacity to grow NFI rapidly as and when demand increases for permanent recruitment services.

The Group's contractor biased model, coupled with a highly diversified client and sector base, is providing a degree of protection against market volatility. No single customer accounts for more than 10% of Group NFI, with our top 5 customers representing 26% and our top 50 customers 55% of Group NFI.

The following table reports Contract NFI and Permanent Fees by Sector:

Sector	2009 H1	2009 H2	2010 H1	Change on 2009 H1	Change on 2009 H2
	£m	£m	£m	%	%
Engineering					
Contract NFI	6.1	5.8	5.7	(7%)	(2%)
Permanent Fees	2.5	1.5	1.3	(48%)	(13%)
Built Environment					
Contract NFI	3.4	3.0	2.4	(29%)	(20%)
Permanent Fees	0.8	0.3	0.3	(63%)	0%
Professional Services					
Contract NFI	1.9	1.8	1.5	(21%)	(17%)
Permanent Fees	1.9	1.3	1.2	(37%)	(8%)
Matchtech Group plc					
Contract NFI	11.4	10.6	9.6	(16%)	(9%)
No of weeks	23.8	25.2	23.8		
<i>Per week</i>	0.48	0.42	0.40	(17%)	(5%)
Permanent Fees	5.2	3.1	2.8	(46%)	(10%)
No of weeks	23.8	25.2	23.8		
<i>Per week</i>	0.22	0.12	0.12	(45%)	0%

Due to the Group's period end, the number of working weeks is less in the first half than the second half of the year. In terms of average weekly fees, Contract NFI is down only 5% and Permanent Fees are unchanged from 2009 H2.

Sector	2009 H1	2009 H2	2010 H1	Change on 2009 H1	Change on 2009 H2
	£m	£m	£m	%	%
Engineering (including Germany)					
Net Fee Income	8.6	7.3	7.1	(17%)	(3%)
Operating Profit	3.7	3.2	2.9	(22%)	(9%)
Built Environment					
Net Fee Income	4.2	3.3	2.7	(36%)	(18%)
Operating Profit	1.7	1.3	1.0	(41%)	(23%)

Professional Services					
Net Fee Income	3.8	3.1	2.7	(29%)	(13%)
Operating Profit	1.0	0.8	0.6	(40%)	(25%)
Matchtech Group plc					
Net Fee Income	16.6	13.7	12.5	(25%)	(9%)
Operating Profit	6.4	5.3	4.5	(30%)	(15%)

Engineering

Engineering, the Group's largest sector, was the most resilient in the first half with only a slight fall in NFI compared with 2009 H2. Operating profit fell primarily due to the set up costs of the German operation, which is included in Engineering in the table above.

The business mix, in Engineering, has shifted towards contract which now accounts for 81% (2009 H1: 71%) of the sector's NFI. Contractors on weekly assignment have increased in this period to record levels, but gross margins have reduced. Margin reduction, pay rate deflation and a shift in mix between white and blue collar contractors impacted on the average timesheet value which is down 17% on 2009 H1 and down 8% on 2009 H2.

As expected, the number of permanent placements has dropped substantially compared to 2009 H1, but we have not seen a further decline in 2009 H2 and weekly permanent placements have remained stable throughout the period. Our permanent recruitment consultants are currently operating at around 50% of capacity, providing us with the capability and resource to capture market share as and when the economy recovers.

The Group's recently launched German operation, which focuses on the engineering market, commenced trading from Stuttgart in August 2009 and has made a sound start in line with our expectations. Information on Germany's financial performance is given in note 2, Segmental Information, to the financial statements.

Built Environment

Built Environment's NFI was down 18% and operating profit down 23% compared with 2009 H2. This sector has been most affected by the current downturn, particularly in permanent recruitment. Contract revenue now accounts for 89% (2009 H1: 81%) of NFI. Contractors on assignment have remained fairly stable during this period but, like Engineering, gross margins have reduced. Tender activity in this sector has been high as clients look to reduce costs and streamline their vendor base; our success rate has been encouraging and the highlight was our Master Vendor win with WSP. The benefit of these wins should materialise in additional contract NFI in the second half, but recovery of permanent fees in this sector will be slow and we are not anticipating volumes to increase in H2.

Professional Services

NFI in Professional Services was down 13% and operating profit down 25 % compared with 2009 H2. Unlike the other two sectors, it has a more even split between contract and permanent NFI. The number of contractors on assignment and the number of permanent placements have both reduced during the period. Staff headcount levels in this sector have remained stable compared to 2009 H2 and we are starting to invest in additional staff as this sector is seeing early signs of recovery.

Elemense

The new "elemense" Recruitment Process Outsourcing (RPO) brand, launched in July 2009, has shown early signs of success in delivering broader RPO services in the technical sector. We are now seeking to strengthen our business development activity in non-technical markets.

This did not give rise to an additional segment as all the activities were carried out within the segments outlined above and were classified as such in internal reporting.

	2009 H1	2009 H2	2010 H1	Change on 2009 H1	Change on 2009 H2
Permanent placements					
Number of placements	1,400	800	800	(43%)	0%
Permanent fees	£5.2m	£3.1m	£2.8m	(46%)	(10%)
Average fee per placement	£3,708	£3,954	£3,618	(2%)	(8%)

Contractors

Number of working contractors	4,500	4,500	4,750	6%	6%
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Financial Overview

Revenue was £125.4m (down 9% on 2009 H1: £138.0m; down 5% on 2009 H2: £131.6m), with NFI of £12.5m (down 25% on 2009 H1: £16.6m; down 9% on 2009 H2: £13.7m). The average weekly timesheet NFI was £86, down 17% on 2009 H1: £104 and down 8% on 2009 H2: £93.

NFI conversion for the period was 36.1% (2009 H1: 38.6%; 2009 H2: 38.7%).

Operating profit was £4.5m (down 30% on 2009 H1: £6.4m; down 15% on 2009 H2: £5.3m).

There were operational cost savings of £2.4m compared with 2009 H1, including a write back of unvested LTIP charges of £0.3m (2009 H1: £Nil, 2009 H2: £0.6m). In January 2010 there was a grant of new LTIP share options to Directors and staff. There was no material IFRS2 charge in 2010 H1 but there will be a charge in 2010 H2.

The operating margin reduced to 3.6% (2009 H1: 4.6%; 2009 H2 4.0%) due to a combination of operational gearing, pay rates and margins being put under increasing pressure.

Benefiting from lower interest costs of £0.1m (2009 H1: £0.3m; 2009 H2 £0.1m), profit before tax was £4.4m (down 28% on 2009 H1: £6.1m; down 15% on 2009 H2: £5.2m).

Effective Rate of Tax

The effective rate of tax for the period was 28.2% (2009 H1: 27.1%).

Earnings per share

Basic earnings per share were 13.58p (down 29% on 2009 H1: 19.03p; down 11% on 2009 H2: 15.34p).

Fully diluted earnings per share were 13.31p (down 26% on 2009 H1: 18.10p; down 18% on 2009 H2: 16.25p).

Cash flow and Net cash / (debt)

Cash inflows from operations in the period were £5.9m (2009 H1: £4.1m; 2009 H2: £5.7m) representing cash conversion of 130% (2009 H1: 65%; 2009 H2: 107%).

Capital expenditure for the period was £0.0m (2009 H1: £0.3m; 2009 H2 £0.0m) and in 2010 H2 is expected to be around £0.4m.

The Group ended the period with net cash of £0.8m (31 January 2009: net debt £3.7m; 31 July 2009: net debt £1.2m).

Debtor days at the end of the period stood at 43 (2009 H1: 42; 2009 H2: 42 days) with debtors over 90 days overdue of £0.1m (2009 H1: £0.4m; 2009 H2: £0.1m) and no unimpaired debtors over 90 days overdue (2009 H1: £nil; 2009 H2: £nil).

Banking

Since the period end, the Group has extended its Confidential Invoice Discounting ("CID") facility with Barclays Bank. The new £25m facility, which replaces the old £20m CID facility and the £7.5m Revolving Credit Facility, will be in place for three years until April 2013 at Barclays Bank Base Rate plus 2.25%, previously Barclays Bank Base Rate plus 1.9%.

Dividend

The Board is pleased to declare a maintained interim dividend of 5.0 pence per share, reflecting the continued strength and resilience of the Group.

The interim dividend will be paid on 23 June 2010 to those shareholders on the register at close of business on 4 June 2010.

People

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

Since reducing headcount in the second half of 2009, we have started to make strategic appointments, especially within Professional Services, to aid the Board's plans for strong growth coming out of the recession.

Total staff numbers at the end of the period were 270 (January 2009: 286; July 2009: 263).

We continue to balance control of our cost base with the need to recruit and retain quality staff as part of our plans to be able to react quickly to any improvement in demand. Looking ahead we anticipate a material increase in the Group's sales force headcount over the coming months.

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

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 this.

Around 50% of the Group's NFI comes directly and indirectly from across many parts of the Public Sector, much on long term contracts. The Board is mindful of the impact on the Group of potential changes to public expenditure after the forthcoming General Election.

The Group considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation are disclosed in the 2009 Annual Report and no other significant new risks have been identified in the period.

Trading since 31 January 2010 & outlook

Permanent recruitment fees remain stable at the weekly run rate of 2010 H1. Contractor numbers at 31 March 2010, in excess of 5,000, are at all time record levels and up 5% since 31 January 2010.

Although the economic climate remains subdued, the continued efforts of our staff in maintaining and developing our business, the relative stability of the marketplace during the period and signs of increased activity in some sectors, all give the Board increased optimism in its outlook for the current financial year. The Board now expects the results for the year to 31 July 2010 to be slightly ahead of its previous expectations and remains confident in the Group's prospects over the medium term.

George Materna
Chairman

8 April 2010

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 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, 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 in the condensed set of financial statements.

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.

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 2010 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

8 April 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 31 January 2010

	Note	6 months to 31/01/10 <i>unaudited</i> £'000	6 months to 31/01/09 <i>unaudited</i> £'000	12 months to 31/07/09 £'000
CONTINUING OPERATIONS				
Revenue	2	125,448	138,015	269,581
Cost of Sales		(112,955)	(121,435)	(239,314)
GROSS PROFIT	2	12,493	16,580	30,267
Administrative expenses		(7,969)	(10,242)	(18,622)
OPERATING PROFIT	2	4,524	6,338	11,645
Finance income		5	4	9
Finance cost		(123)	(277)	(376)
PROFIT BEFORE TAX		4,406	6,065	11,278
Income tax expense	3	(1,244)	(1,645)	(3,288)
PROFIT FOR THE PERIOD		3,162	4,420	7,990

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

EARNINGS PER ORDINARY SHARE

		pence	pence	pence
Basic	5	13.58	19.03	34.37
Diluted	5	13.31	18.10	34.35

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 January 2010

	6 months to 31/01/10 <i>unaudited</i> £'000	6 months to 31/01/09 <i>unaudited</i> £'000	12 months to 31/07/09 £'000
PROFIT FOR THE PERIOD	3,162	4,420	7,990
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations	5	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	5	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,167	4,420	7,990

CONDENSED CONSOLIDATED BALANCE SHEET
as at 31st January 2010

	Note	31/01/2010 <i>unaudited</i>	31/01/2009 <i>unaudited</i>	31/07/2009
		£'000	£'000	£'000
ASSETS				
Non-current assets				
Property, plant and equipment		1,361	1,825	1,546
Intangible assets		129	165	151
Deferred tax assets		57	294	99
		1,547	2,284	1,796
Current Assets				
Trade and other receivables	7	31,772	34,086	32,903
Cash and cash equivalents		793	305	307
		32,565	34,391	33,210
TOTAL ASSETS		34,112	36,675	35,006
LIABILITIES				
Current liabilities				
Trade and other payables		(11,203)	(11,844)	(10,933)
Current tax liability		(1,269)	(1,775)	(1,368)
Bank loans and overdrafts		-	(4,015)	(1,470)
		(12,472)	(17,634)	(13,771)
TOTAL LIABILITIES		(12,472)	(17,634)	(13,771)
NET ASSETS		21,640	19,041	21,235
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Called-up equity share capital	6	232	232	232
Share premium account		3,045	3,045	3,045
Other reserves		484	1,026	774
Retained earnings		17,879	14,738	17,184
TOTAL EQUITY		21,640	19,041	21,235

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the period ended 31 January 2010

	6 months to 31/01/10 <i>unaudited</i>	6 months to 31/01/09 <i>unaudited</i>	12 months to 31/07/09
	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation	3,162	4,420	7,990
Adjustments for:			
Depreciation and amortisation	243	320	626
(Profit)/Loss on disposal of property, plant and equipment	(4)	-	2
Interest income	(5)	(4)	(9)
Interest expense	123	277	376
Taxation expense recognised in profit and loss	1,244	1,645	3,288
(Increase)/decrease in trade and other receivables	1,131	4,480	5,662
Increase/(decrease) in trade and other payables	270	(7,087)	(7,997)
Unrealised foreign exchange losses/(gains), net	6	-	-
Share based payment charge/ (credit)	(295)	72	(156)
Cash generated from operations	5,875	4,123	9,782
Interest paid	(123)	(277)	(376)
Income taxes paid	(1,300)	(1,716)	(3,554)
NET CASH FROM OPERATING ACTIVITIES	4,452	2,130	5,852
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	(33)	(336)	(340)
Purchase of intangibles	(9)	-	(39)
Proceeds from sale of plant and equipment	10	6	33
Interest received	5	4	9
NET CASH USED IN INVESTING ACTIVITIES	(27)	(326)	(337)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(repayments to) borrowings	(1,470)	729	(1,769)
Dividends paid	(2,468)	(2,463)	(3,626)
NET CASH USED IN FINANCING ACTIVITIES	(3,938)	(1,734)	(5,395)
Effects of exchange rates on cash and cash equivalents	(1)	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	486	70	120
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	307	187	187
CASH AND CASH EQUIVALENTS AT END OF PERIOD	793	257	307

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 January 2010

	Translation of foreign operations	Share capital	Share premium	Other reserve	Share based payment reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 August 2008	-	232	3,045	224	794	12,771	17,066
Total comprehensive income for the period	-	-	-	-	-	4,420	4,420
Dividends	-	-	-	-	-	(2,463)	(2,463)
Deferred tax movement re share options	-	-	-	-	-	(54)	(54)
IFRS 2 credit	-	-	-	-	72	-	72
IFRS 2 reserves transfer	-	-	-	-	(64)	64	-
Balance at 31 January 2009	-	232	3,045	224	802	14,738	19,041
Balance at 1 August 2008	-	232	3,045	224	794	12,771	17,066
Total comprehensive income for the year	-	-	-	-	-	7,990	7,990
Dividends	-	-	-	-	-	(3,626)	(3,626)
Deferred tax movement re share options	-	-	-	-	-	(39)	(39)
IFRS 2 credit	-	-	-	-	(156)	-	(156)
IFRS 2 reserves transfer	-	-	-	-	(88)	88	-
Balance at 31 July 2009	-	232	3,045	224	550	17,184	21,235
Balance at 1 August 2009	-	232	3,045	224	550	17,184	21,235
Total comprehensive income for the year	5	-	-	-	-	3,162	3,167
Dividends	-	-	-	-	-	(2,468)	(2,468)
Deferred tax movement re share options	-	-	-	-	-	1	1
IFRS 2 credit	-	-	-	-	(295)	-	(295)
Balance at 31 January 2010	5	232	3,045	224	255	17,879	21,640

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 2010. 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 2009 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 498 (2) and (3) of the Companies Act 2006.

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 2010 or are expected to be adopted and effective at 31 July 2010.

New standards and amendments to existing standards applicable for the period ending 31 January 2010 are:

- IFRS 8 'Operating Segments': This new standard had an impact on the nature and extent of the notes in the Group's financial statements regarding segmental reporting. Internal management information is reviewed by the Board, which is deemed to satisfy the definition of the 'Chief Operating Decision Maker' as defined by the standard.
- IAS 1 'Presentation of Financial Statements – Revised': This amendment had an impact on the presentation of the primary statements in the Group's financial statements, specifically the introduction of the statement of comprehensive income.

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.
- "Retained earnings" 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

	to 31/01/10 <i>unaudited</i>	to 31/01/09 <i>unaudited</i>	to 31/07/09
	£'000	£'000	£'000

A segmental analysis of revenue is given below:

Engineering	76,216	78,151	153,170
Built Environment	28,596	35,916	68,706
Professional Services	20,496	23,948	47,705
Germany	140	-	-
Total	<u>125,448</u>	<u>138,015</u>	<u>269,581</u>

A segmental analysis of gross profit is given below:

Engineering	6,991	8,588	15,864
Built Environment	2,720	4,170	7,441
Professional Services	2,730	3,822	6,962
Germany	52	-	-
Total	<u>12,493</u>	<u>16,580</u>	<u>30,267</u>

A segmental analysis of operating profit is given below:

Engineering	3,104	3,674	6,853
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Built Environment	1,012	1,694	3,013
Professional Services	609	970	1,779
Germany	(202)	-	-
Total	4,523	6,338	11,645

Reconciliation to profit before tax:

Segmental profit per above	4,523	6,338	11,645
Finance income	5	4	9
Finance cost	<u>(123)</u>	<u>(277)</u>	<u>(376)</u>
Profit before tax	<u>4,405</u>	<u>6,065</u>	<u>11,278</u>

During the period the Company provided recruitment process outsourcing under the elemense brand. This did not give rise to an additional segment as all the activities were carried out within the segments outlined above and were classified as such in internal reporting.

A new segment, Germany, is being reported in the current period in line with the requirements of IFRS 8. This segment represents activity undertaken by the German subsidiary, which was set up during the period and is reported as a separate segment in internal reporting.

(ii) **Seasonality**

As the first half of the financial year includes Christmas, the Board assess the number of effective trading weeks to be 23.8 weeks compared to 25.2 weeks in the second half of the year. This traditionally produces stronger results in the latter period, but as a result of deteriorating economic conditions in 2009 this seasonality was not evident. The Board expect a return to normal seasonality over time.

3 INCOME TAX EXPENSE

Analysis of charge in the period

	to 31/01/10 <i>unaudited</i>	to 31/01/09 <i>unaudited</i>	to 31/07/09
	£'000	£'000	£'000
Total income tax expense	1,244	1,645	3,288
The total tax charge is lower than the standard rate of corporation tax. The differences are detailed below:			
Profit before tax	4,406	6,065	11,278
Corporation Tax at current rate 28% (31/01/09: 28%, 31/07/09: 28%)	1,234	1,698	3,158
Expenses not deductible for tax purposes	80	1	23
Income not chargeable for tax purposes	(83)	-	-
Depreciation in excess of capital allowances	9	-	-
Deferred tax asset not provided for due to fall in share price	43	-	155
Enhanced R&D tax relief	(26)	-	(54)
Overseas losses carried forward	8	-	-
Adjustments to tax charge in respect of previous periods	<u>(20)</u>	<u>(54)</u>	<u>6</u>
Total UK tax charge	<u>1,244</u>	<u>1,645</u>	<u>3,288</u>

4 DIVIDENDS

Dividends on shares classed as equity:	6 months to 31/01/10 unaudited	6 months to 31/01/09 unaudited	12 months to 31/07/09
	£'000	£'000	£'000
Paid during the period			
Equity dividends on ordinary shares	<u>2,468</u>	<u>2,463</u>	<u>3,626</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 31/01/10 unaudited	6 months to 31/01/09 unaudited	12 months to 31/07/09
	£'000	£'000	£'000
Profits			
Profit for the period	<u>3,162</u>	<u>4,420</u>	<u>7,990</u>
Number of Shares	000's	000's	000's
Weighted average number of ordinary shares in issue	23,290	23,231	23,244
Effect of dilutive potential ordinary shares under option	<u>459</u>	<u>1,184</u>	<u>14</u>
	<u>23,749</u>	<u>24,415</u>	<u>23,258</u>
Earnings per Share	pence	pence	pence
Earnings per ordinary share from continuing operations			
- Basic	13.58	19.03	34.37
- Diluted	13.31	18.10	34.35

6 SHARE CAPITAL

Authorised share capital	31/01/2010	31/01/2009	31/07/2009
	£'000	£'000	£'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	31/01/2010	31/01/2009	31/07/2009
	£'000	£'000	£'000

Ordinary shares of £0.01 each

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232

232

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 31/01/09			
30/11/2008	3,571	nil	36
05/01/2009	2,218	nil	22
30/01/2009	2,433	nil	24
6 months to 31/07/09			
03/03/2009	2,847	nil	28
31/03/2009	3,050	nil	31
23/04/2009	19,469	nil	195
05/05/2009	3,593	nil	36
02/06/2009	2,912	nil	29
03/07/2009	2,944	nil	29
6 months to 31/01/10			
03/08/2009	3,044	nil	30
04/09/2009	2,174	nil	22
03/10/2009	2,179	nil	22
02/11/2009	1,639	nil	16
05/12/2009	13,351	nil	134

7 TRADE AND OTHER RECEIVABLES

	31/01/2010	31/01/2009	31/07/2009
	£'000	£'000	£'000
Trade debtors	31,431	33,887	32,623
Other debtors	77	23	76
Prepayments	264	176	204
	<u>31,772</u>	<u>34,086</u>	<u>32,903</u>

Included in the Group's trade receivable balance are debtors with a carrying amount of £3,378,000 (2009: £3,952,000) 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

	31/01/2010	31/01/2009	31/07/2009
	£'000	£'000	£'000
0-30 days	3,098	3,025	2,413
30-60 days	272	669	194
60-90 days	8	258	38
90+ days	-	-	15
	<u>3,378</u>	<u>3,952</u>	<u>2,660</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.