



human resources for a technical world

Interim results for the six months ended 31 January 2007

Matchtech Group plc ("Matchtech" or the "Group"), one of the UK's leading specialist technical recruitment companies, is pleased to announce its maiden interim results for the six months ended 31 January 2007, following its Admission to AIM in October 2006.

Financial Highlights

- Turnover up 30% to £93.4m (2006: £72.1m)*
- Net fee income up 29% to £12.5m (2006: £9.7m)*
- Operating profit up 35% to £5.0m (2006: £3.7m)*
- Operating profit margin 5.4% (2006: 5.1%)*
- Profit before tax up 34% to £4.7m (2006: £3.5m)*
- Reported profit before tax after non-recurring items up 14% to £4.1m (£2006: 3.6m)
- Basic earnings per share (pre non-recurring items) up 38% to 15.66p (2006: 11.33p)
- Basic reported EPS up 18% to 13.36p (2006: 11.33p)
- Maiden interim dividend of 4.4p per share

* 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

Operating Highlights

- Strong organic growth across all sectors (Engineering, Built Environment and Support Services)
- Results reflect continuing strong demand for permanent placements
- 27% increase in permanent placements and 15% increase in contractor numbers in the period
- Major Master Vendor contract secured with Mouchel Parkman
- Successful Admission to AIM in October 2006
- Adrian Gunn assumed the role of Group Managing Director on 1 February 2007

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

"We are very pleased with these results, our first as an AIM-listed company, which show that Matchtech has continued to make strong progress on all fronts. The markets we serve are demonstrating strong demand for qualified white collar staff and we are continuing to develop our offering though further investment in the business.

"There is evidence of continuing salary inflation in each of the sectors in which we operate and the market remains candidate driven. In the Engineering and Built Environment sectors, a shortage of suitably qualified engineers continues to be a key factor in the marketplace, favouring our superior service delivery capabilities which derive from our systems and people."

“The second half has started well and we believe that we will be able to build on what has been achieved in the first half, benefiting from our ongoing investment in staff, systems and additional office space. We look forward with confidence to the future.”

For further information please contact:

Matchtech Group plc

01489 898989

George Materna, Chairman
Adrian Gunn, Group Managing Director
Tony Dyer, Group Finance Director

Hogarth Partnership

020 7357 9477

John Olsen / James Longfield / Fiona Noblet

Background on Matchtech

Matchtech specialises in the provision of contract and permanent staff in the Engineering, Built Environment and Support Services sectors across the UK.

It was established in 1984 and has grown organically to become the UK's 4th largest technical and engineering recruitment specialist and one of the UK's 20 largest recruitment companies (Source: Recruitment International Top 100 Report – August 2006).

Operating from a single site near Southampton, Matchtech provides predominantly professionally-qualified candidates to clients in a broad range of industries including oil and petrochemicals, marine, aerospace, automotive, water, electronics, civil engineering, building structures and transport infrastructure. It structures its business across three main sectors: Engineering, Built Environment and Support Services.

Matchtech Group plc floated on AIM in October 2006.

MATCHTECH GROUP PLC
Interim report for the period ended 31 January 2007

Chairman's statement

Operating review

The Group continued to see strong growth across all three of its sectors, Engineering, Built Environment and Support Services, during the first half.

	H1 2007	H1 2006	Change
Engineering sector			
Net fee income	£6.8m	£5.4m	26%
Operating profit	£3.0m	£2.3m	30%
Built Environment sector			
Net fee income	£2.8m	£2.1m	33%
Operating profit	£1.2m	£0.9m	33%
Support Services sector			
Net fee income	£2.8m	£2.2m	27%
Operating profit	£0.8m	£0.6m	33%

These results exclude any contribution from our small US business, which was sold on 31st August 2006, as well as the non-recurring costs of the IPO, and have been achieved through organic growth alone.

We have seen good progress in Engineering, our largest sector, where we saw a significant increase in permanent fees, reflecting strong client demand for candidates and continuing salary inflation. In particular demand was strong in Oil & Gas and Pharmaceutical, where we achieved some important client wins and contract extensions.

Built Environment saw the strongest growth and we continue to gain market share in this sector. We have broadened our capabilities to include Architecture, Building Services and Construction Site candidates and were delighted to enter into a Master Vendor relationship with Mouchel Parkman towards the end of the half, significantly expanding our involvement with this client.

Our newest sector, Support Services, continues to go from strength to strength with a number of strategically important client wins in the period, including British American Tobacco and the Olympic Delivery Authority. We are also expanding our offer in the procurement sector, which is providing opportunities for cross-selling into other parts of the Group.

We have seen strong increases in permanent placements in the half, along with an increase in the average placement fee rates, as demand for candidates continues to outstrip availability, and we have shown solid growth in contractor numbers which stood at 3,900 at 31st January 2007. The Group has maintained a healthy balance between contract and permanent placements.

	H1 2007	H1 2006	Change
Permanent placements			
Number of permanent placements	1,022	805	27%
Permanent fees	£3.9m	£2.9m	34%
Average permanent fees per placement	£3,855	£3,619	7%
Contractors			
Number of working contractors	3,900	3,400	15%
Contract net fee income	£8.6m	£6.9m	25%
Contract / Permanent Mix	69%	70%	

Board Changes

On 1 February 2007 we announced that Adrian Gunn, formerly Deputy Managing Director and Sales Director, had taken over the position of Group Managing Director. Adrian has been fundamental to the Group's success, having joined Matchtech as a consultant in 1988. He has been a member of the senior management team for the past nine years and on the Board since 2004.

Adrian took over the day-to-day leadership of Matchtech from Paul Raine, who has taken up the role of Resources Director, with responsibility for IT, operations, marketing and compliance matters. This represents a smooth transition of management roles, with the established core executive team of Adrian, Paul and Tony Dyer remaining in place.

The Board thanks Paul for his past leadership and looks forward to his continuing contribution in the revised role.

People

Our performance reflects the strength of our management team and the quality of our staff. Their continued focus during a period of significant change as we became a listed company, is a great testament to our strong operating culture. I would like to thank all our staff on behalf of our new shareholders for their contribution.

As a key feature of the Board's plans for growth, staff numbers were increased by 23 in the period to 219. Staff attrition remained at 20%, which the Board believes is well below the industry average.

Financial Overview

The Group achieved a strong set of results across all of its sectors in the first half of the year, reflecting strong trading conditions in each of the three markets we serve.

Turnover increased 30% to £93.4m (2006: £72.1m), with a similar increase of 29% in net fee income to £12.5m (2006: £9.7m). Both years' figures are stated excluding the results from our small US business which was sold on 31 August 2006.

Underlying operating profit (excluding profits from the US business sold in August 2006 as well as non-recurring costs) was £5.0m, an increase of 35% (2006: £3.7m). This reflected an increase in operating margin to 5.4% (2006: 5.1%) as we continued to achieve greater efficiencies within the business, as a result of the Group's single-site model. This was achieved despite continued investment in new staff, systems and office space in the period.

Reported profit before tax was up 14% at £4.1m (2006: £3.6m) giving an increase in basic earnings per share of 18% to 13.36p (2006: 11.33p). Underlying profit before tax (excluding profits from the US business sold in August 2006 as well as non-recurring items) was up 34% to £4.7m (2006: £3.5m).

Earnings per share

The Group continued to show strong growth in earnings per share.

Basic earnings per share increased by 18% to 13.36p (2006: 11.33p), with basic earnings per share (pre non-recurring items) increasing by 38% to 15.66p (2006: 11.33p). Fully diluted earnings per share increased by 19% to 12.82p (2006: 10.77p), with fully diluted earnings per share (pre non-recurring items) increasing by 40% to 15.03p (2006: 10.77p).

Cash flow

Cash inflows from operating activities in the period were £4.1m (2006: £7.1m) representing cash conversion of 93% (2006: 121% excluding an increase in creditors due to directors' loans and a decrease in debtors due to EBT loan repayments.)

Capital expenditure was £0.5m (2006: £0.3m), with the increase being mainly due to the fitting out of additional office space.

Net debt at 31 January 2007 was £11.5m (31 January 2006: £6.0m, 31 July 2006: £9.5m). During the period the Group agreed a loan facility with Barclays Bank; £4.6m was outstanding at 31 January 2007. In addition, the confidential invoice discounting facility as at 31 January 2007 was £7.1m (2006: £6.6m)

Dividend

Reflecting the strong performance of the business in the first half, the Board has declared an interim dividend of 4.4 pence per share. Despite the fact that Matchtech has only been a listed company for three months of the reporting period, the dividend is being paid in respect of the results for the full six month period. The interim dividend will be paid on 22 June 2007 to those shareholders on the register at close of business on 8 June 2007.

Growth strategy

The Board's strategy remains unchanged from that outlined at the time of our Admission to AIM. We intend to maintain our stable low cost platform for growth in our target recruitment markets, each of which benefit from strong macro drivers, and to continue with our successful business model based around a balanced contract/permanent mix. We aim to increase our market share and convert appropriate contingency business into beneficial retained business. The success of this strategy is demonstrated in the first half by extended relationships with British American Tobacco, Exxon, Severn Trent Water, Transport for London and Mouchel Parkman.

Outlook

Trading in the second half to date has remained encouraging. We are continuing to invest in the business, including a significant expansion of our office space and further investment in systems. Plans are underway to recruit a further 20 graduates in the second half. The Board is confident that Matchtech is in robust shape and expects to be able to report sound progress in the second half.

George Materna
Chairman

25 April 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 31 January 2007

	Note	6 months to 31/01/07 Unaudited £'000	6 months to 31/01/06 Unaudited £'000	12 months to 31/07/06 Audited £'000
TURNOVER				
Continuing operations		93,438	72,124	156,686
Discontinued operations		135	733	1,442
	2	<u>93,573</u>	<u>72,857</u>	<u>158,128</u>
COST OF SALES				
Continuing operations		(80,933)	(62,455)	(135,893)
Discontinued operations		(117)	(604)	(1,196)
		<u>(81,050)</u>	<u>(63,059)</u>	<u>(137,089)</u>
GROSS PROFIT				
Continuing operations		12,505	9,669	20,793
Discontinued operations		18	129	246
		<u>12,523</u>	<u>9,798</u>	<u>21,039</u>
ADMINISTRATIVE EXPENSES				
Continuing operations		(7,475)	(5,945)	(12,554)
Discontinued operations		(10)	(51)	(93)
Cost of Admission to AIM		(572)	0	0
		<u>(8,057)</u>	<u>(5,996)</u>	<u>(12,647)</u>
OPERATING PROFIT				
Continuing operations		4,458	3,724	8,239
Discontinued operations		8	78	153
	2	<u>4,466</u>	<u>3,802</u>	<u>8,392</u>
NON-RECURRING ITEM				
Profit on sale of discontinued operations		59	0	0
PROFIT AFTER NON-RECURRING ITEMS		<u>4,525</u>	<u>3,802</u>	<u>8,392</u>
Net Interest and other similar charges		(377)	(242)	(549)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>4,148</u>	<u>3,560</u>	<u>7,843</u>
Tax on profit on ordinary activities	3	(1,172)	(1,124)	(2,098)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>2,976</u>	<u>2,436</u>	<u>5,745</u>
EARNINGS PER ORDINARY SHARE				
Basic	5	pence 13.36	pence 11.33	pence 26.60
Diluted	5	12.82	10.77	25.56

CONSOLIDATED SUMMARISED BALANCE SHEET
as at 31st January 2007

	31/01/2007 <i>Unaudited</i> £'000	31/01/2006 <i>Unaudited</i> £'000	31/07/2006 <i>Audited</i> £'000
FIXED ASSETS	1,702	1,453	1,399
CURRENT ASSETS			
Debtors	25,818	21,595	24,670
Cash at bank and in hand	353	626	495
	26,171	22,221	25,165
CREDITORS			
Amounts falling due within one year	(18,656)	(17,557)	(19,313)
NET CURRENT ASSETS	7,515	4,664	5,852
CREDITORS			
Amounts falling after one year	(2,917)	0	0
TOTAL ASSETS LESS LIABILITIES	6,300	6,117	7,251
CAPITAL AND RESERVES			
Called-up equity share capital	225	215	221
Share premium account	2,367	1,659	2,009
Other reserves	685	477	567
Profit and loss account	3,023	3,766	4,454
SHAREHOLDERS' FUNDS	6,300	6,117	7,251

CONSOLIDATED SUMMARISED CASH FLOW STATEMENT
for the period ended 31 January 2007

	6 months to 31/01/07 <i>Unaudited</i> £'000	6 months to 31/01/06 <i>Unaudited</i> £'000	12 months to 31/07/06 <i>Audited</i> £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	4,098	7,069	7,540
RETURNS ON INVESTMENTS & SERVICING OF FINANCE	(377)	(243)	(549)
TAXATION	(1,256)	(746)	(2,006)
CAPITAL EXPENDITURE	(528)	(286)	(455)
DISPOSAL OF INVESTMENT	105	0	0
EBT CAPITAL DISTRIBUTION	0	0	(1,070)
EQUITY DIVIDENDS PAID	(4,414)	(2,579)	(4,124)
FINANCING	2,275	(3,178)	416
INCREASE/(DECREASE) IN CASH	(97)	37	(248)

CONSOLIDATED SUMMARISED CASH FLOW STATEMENT

for the period ended 31 January 2007

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months <i>Unaudited</i> to 31/01/07	6 months <i>Unaudited</i> to 31/01/06	12 months <i>Audited</i> to 31/07/06
	£'000	£'000	£'000
Operating profit	4,466	3,802	8,392
Depreciation and amortisation	226	190	412
(Profit)/loss on disposal of fixed assets	0	(4)	(4)
(Increase)/decrease in debtors	(1,152)	868	(2,207)
Increase in creditors	433	2,132	786
Increase in FRS20 provision	125	81	161
Net cash inflow from operating activities	<u>4,098</u>	<u>7,069</u>	<u>7,540</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	6 months to 31/01/07 <i>Unaudited</i>	6 months to 31/01/06 <i>Unaudited</i>	12 months to 31/07/06 <i>Audited</i>
	£'000	£'000	£'000
Increase in cash in the period	(97)	37	(248)
Net cash (inflow)/outflow from trade debt finance	(1,918)	3,223	(10)
Change in net debt	<u>(2,015)</u>	<u>3,260</u>	<u>(258)</u>
Net debt at start of period	(9,508)	(9,250)	(9,250)
Net debt at end of period	<u>(11,523)</u>	<u>(5,990)</u>	<u>(9,508)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2006 <i>Audited</i>	Cash flows <i>Unaudited</i>	31 Jan 2007 <i>Unaudited</i>
	£'000	£'000	£'000
Net cash: Cash in hand and at bank	290	(97)	193
Debt: Trade debt finance	(9,798)	2,665	(7,133)
Barclays Loan	0	(4,583)	(4,583)
Net debt	<u>(9,508)</u>	<u>(2,015)</u>	<u>(11,523)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the six months ended 31 January 2007

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	6 months to 31/01/07 <i>Unaudited</i> £'000	6 months to 31/01/06 <i>Unaudited</i> £'000	12 months to 31/07/06 <i>Audited</i> £'000
Profit for the period	2,976	2,436	5,745
New share capital issued	4	0	6
Premium on share capital issued	358	44	395
FRS20 reserve movement	125	81	161
Shares held by EBT	0	0	5
EBT capital distribution	0	0	(1,070)
Dividends	(4,414)	(2,579)	(4,124)
Foreign currency translation	0	0	(2)
Net increase/(decrease) to funds	<u>(951)</u>	<u>(18)</u>	<u>1,116</u>
Opening shareholders' funds	7,251	6,135	6,135
Closing shareholders' equity funds	<u>6,300</u>	<u>6,117</u>	<u>7,251</u>

NOTES

forming part of the financial statements

1 BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

The interim financial information does not constitute statutory accounts for the purpose of Section 240 of the Companies Act 1985. The financial statements for the year ended 31 July 2006 have been delivered to the Registrar of Companies and include an auditor report which was unqualified and did not contain a statement under section 237 (2) and (3) of the Companies Act 1985

The interim financial information has been prepared using the same accounting policies and estimation techniques as set out in the group accounts for the year ended 31 July 2006.

2 SEGMENTAL & GEOGRAPHIC INFORMATION

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

(i) Segmental

	6 months to 31/01/07 <i>Unaudited</i> £'000	6 months to 31/01/06 <i>Unaudited</i> £'000	12 months to 31/07/06 <i>Audited</i> £'000
A segmental analysis of turnover is given below:			
Engineering	59,990	47,108	101,989
Built Environment	18,629	14,632	31,617
Support Services	14,819	10,384	23,080
Discontinued Operations	135	733	1,442
Total	<u>93,573</u>	<u>72,857</u>	<u>158,128</u>

A segmental analysis of net fee income is given below:

Engineering	6,844	5,378	11,679
Built Environment	2,824	2,103	4,544
Support Services	2,837	2,188	4,570
Discontinued Operations	18	129	246
Total	12,523	<u>9,798</u>	<u>21,039</u>

A segmental analysis of operating profit is given below:

Engineering	2,992	2,263	5,332
Built Environment	1,230	909	1,679
Support Services	808	552	1,228
Discontinued Operations	8	78	153
IPO Costs	(572)	0	0
Total	4,466	<u>3,802</u>	<u>8,392</u>

(i) **Geographic**

6 months to 31/01/07 Unaudited £'000	6 months to 31/01/06 Unaudited £'000	12 months to 31/07/06 Audited £'000
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A geographic analysis of turnover is given below:

United Kingdom	93,438	72,124	156,686
Overseas	135	733	1,442
Total	93,573	<u>72,857</u>	<u>158,128</u>

A geographic analysis of net fee income is given below:

United Kingdom	12,505	9,669	20,793
Overseas	18	129	246
Total	12,523	<u>9,798</u>	<u>21,039</u>

A geographic analysis of operating profit is given below:

United Kingdom	4,458	3,724	8,239
Overseas	8	78	153
Total	4,466	<u>3,802</u>	<u>8,392</u>

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the year		6 months to 31/01/07 <i>Unaudited</i> £'000	6 months to 31/01/06 <i>Unaudited</i> £'000	12 months to 31/07/06 <i>Audited</i> £'000
Current Tax:	UK corporation tax	1,207	1,108	2,058
	Foreign Tax	3	40	89
		<u>1,210</u>	<u>1,148</u>	<u>2,147</u>
	Deferred tax on timing differences	(38)	(24)	(49)
	Tax on profit on ordinary activities	<u>1,172</u>	<u>1,124</u>	<u>2,098</u>

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

Profit on ordinary activities before taxation	4,148	3,560	7,843
Corporation Tax at current rate 30%	1,244	1,068	2,353
Disallowable flotation costs	172	0	0
Profit on Sale of US business	(18)	0	0
Disallowable expenses	117	97	194
Capital Allowances	(60)	(57)	(109)
Cost of share options granted in the period	(251)	0	(340)
Other	3	0	(40)
Current UK Tax Charge	<u>1,207</u>	<u>1,108</u>	<u>2,058</u>

4 DIVIDENDS

Dividends on shares classed as equity:	6 months to 31/01/07 <i>Unaudited</i> £'000	6 months to 31/01/06 <i>Unaudited</i> £'000	12 months to 31/07/06 <i>Audited</i> £'000
Paid during the period			
Equity dividends on ordinary shares	<u>4,414</u>	<u>2,579</u>	<u>4,124</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 31/01/07	6 months to 31/01/06 (restated)	12 months to 31/07/06 (restated)
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Profits	£'000	£'000	£'000
Profit on ordinary activities after taxation attributable to ordinary shareholders	2,976	2,436	5,745
Non-recurring items	513	0	0
Profit on ordinary activities after taxation (pre non-recurring)	3,489	2,436	5,745
Number of Shares	000's	000's	000's
Weighted average number of ordinary shares in issue	22,277	21,499	21,600
Effect of dilutive potential ordinary shares under option	939	1,125	883
	23,216	22,624	22,483
Earnings per Share	pence	pence	pence
Earnings per ordinary share			
- Basic	13.36	11.33	26.60
- Diluted	12.82	10.77	25.56
Earnings per ordinary share (pre non-recurring)			
- Basic	15.66	11.33	26.60
- Diluted	15.03	10.77	25.56

AUDITORS REPORT

We have been instructed by the company to review the financial information for the six months ended 31 January 2007 which comprise the summary profit and loss account, balance sheet, cash flow statement and the related notes on pages 2 to 8. 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. Our responsibilities do not extend to any other information.

This report is made solely to the company's members as a body in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the company's members those matters we are required to state 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 and the company's members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors' Responsibilities

The interim report including the financial information contained therein is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists primarily of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 January 2007.

GRANT THORNTON UK LLP Chartered Accountants & Registered Auditors

Manor Court
Barnes Wallis Road
Fareham
PO15 5GT
12 April 2007