

Matchtech Group plc

7 April 2011

Half year financial report for the six months ended 31 January 2011**NFI INCREASING, INVESTMENT MADE IN GROWTH INITIATIVES, INTERIM DIVIDEND MAINTAINED**

Matchtech Group plc ("Matchtech" or the "Group"), one of the UK's leading recruitment solutions specialists, today announces its unaudited results for the six months ended 31 January 2011.

Financial Highlights

- Revenue up 13% to £141.1m (2010: £125.4m)
- Total Net Fee Income (NFI) up 9% to £13.6m (2010: £12.5m)
- Profit before tax of £2.3m (2010: £4.4m), reflecting accelerated headcount investment
- Number of contractors on placement up 9% to 5,200 (2010: 4,750)
- Interim dividend maintained at 5.0p (2010: 5.0p), reflecting resilience of core business and Board's confidence in the future

Operational Highlights

- Solid performance from Matchtech UK, including Framework Agreement wins with new clients
 - Engineering sector performed solidly
 - Built Environment performed resiliently in challenging market
 - Information Systems & Technology delivered a strong performance
 - Continued investment in Science & Medical
- German operation making progress, winning Preferred Supplier Agreements within the Aerospace industry
- elemense continues to expand its Recruitment Process Outsourcing (RPO) services, winning new clients and extending existing contracts
- Newly launched Professional Services brands, Barclay Meade and Alderwood Education, beginning to gain traction

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

"We have continued to invest in our core Technical business and growth in certain sectors is strong, especially Information Systems & Technology.

As we reported in February 2011, the recruitment phase and the establishment of the new staff within the Professional Services market place took longer than expected. Whilst the momentum in these businesses has been slower than anticipated in converting to results, the pipeline of new business is increasing as the brands become more established and we have seen growth in both the new Professional Services brands and in our new German operation.

We are pleased with the quality of the people recruited and the Board is confident that the strategy of diversification is the right one, notwithstanding the negative impact on operating profit results in the short term.

Although, in general, the economic climate remains subdued, we are seeing improvement in some areas in which Matchtech is a market leader. Reflecting trends within the Group, the most recent KPMG/REC UK Labour Market Report on Jobs highlighted IT, Engineering and Professional Services as the top three sectors for improved levels of demand for permanent staff and Engineering, Blue Collar and IT as the top three sectors currently in demand for temporary and contract staff.

Our balanced Contract and Permanent mix and niche specialisation in these sectors along with the continued efforts of our staff in maintaining and developing our business all give the Board confidence in its outlook for the Group's prospects over the medium term.

Trading has continued to progress steadily since our last update on 1 February 2011 and the Board currently anticipates that the results for the year to 31 July 2011 will be in line with market expectations."

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Financial Summary

		Six months to 31 January 2011 £m	Six months to 31 January 2010 £m	Increase / (Decrease) %
<u>Income Statement</u>				
Revenue		141.1	125.4	13%
NFI		13.6	12.5	9%
Permanent recruitment fees		4.2	2.9	45%
Contract NFI		9.4	9.6	(2)%
Overheads		11.1	8.0	39%
Operating Profit		2.5	4.5	(44)%
Profit Before Tax		2.3	4.4	(48)%
Basic EPS (Pence)		6.94p	13.58p	(49)%
<u>Dividend per Share (Pence)</u>	A	5.0 p	5.0p	-
<u>Cash flow, Debtors & Net Debt</u>				
Cash flow from operations		3.6	5.9	(39)%
Debtors (Days)	B	47	43	9%
Net (Debt) / Cash	C	(4.8)	0.8	-
<u>Headcount</u>				
Contractors on placement (Nos.)		5,200	4,750	9%
Sales Force Headcount (Nos.)		257	197	30%
<i>NFI conversion (%)</i>	D	18.4%	36.0%	(17.7)%

Notes:

A: Interim dividend declared for the six months to 31 January.

B: At end of period. 31 July 2010: 47 days.

C: At end of period. 31 July 2010: £(4.5)m. Banking facilities £25.0m committed until April 2013.

D: Operating Profit as a % of NFI. Reduction 2011 v 2010 mainly reflects cost of new headcount investment.

Background on Matchtech Group

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

The Group's specialist recruitment solutions are provided to a broad range of clients across the UK and Europe through the technical brand Matchtech with operations in both UK and Germany, the Professional Services brands of Barclay Meade and Alderwood Education and the RPO brand of elemense.

The Group's Head Office is based in Fareham, Hampshire and has strategic office locations in London, St Albans, Aberdeen and Stuttgart.

The directors of Matchtech Group plc are disclosed in the Annual Report for the year ended 31 July 2010.

MATCHTECH GROUP PLC

Interim report for the period ended 31 January 2011

Chairman's statement

Operating review

In early 2010, the Board decided to diversify the business both geographically and by specialism to maximise growth opportunities in the coming years. As a result the Group invested heavily in additional sales force headcount for the launch of the new Professional Services brands of Barclay Meade and Alderwood Education in August 2010 and the expansion of our Technical business in Germany.

As we reported in February 2011, the recruitment phase and the establishment of the new staff within the Professional Services market place took longer than expected. Whilst the momentum in these businesses has been slower than anticipated in converting to results, the pipeline of new business is increasing as the brands become more established and we have seen growth in both the new Professional Services brands and in our new German operation.

We have continued to invest in our core Technical business and growth in certain sectors is strong, especially Information Systems & Technology.

NFI for the Group was £13.6m, up 9% on 2010 H1. With strong growth in Permanent Fees up 45% and a slight fall of 2% in Contract NFI, there has been a shift in the contract/permanent mix with 69% (2010 H1: 77%) of the Group's NFI derived from contract placements.

Contractor numbers on assignment at the end of the period were a record 5,200, up 9% since 31 January 2010. The 2% reduction in Contract NFI to £9.4m was mainly due to reduced margins from the renegotiation and extension on our two largest contracts with BAE Systems (via Xchanging) until December 2012, and with Transport for London until June 2013.

Group Permanent Fees at £4.2m were up 45% compared with the same period last year with Matchtech UK growing by 53%, including a 117% increase in Information Systems & Technology. In Professional Services, the Barclay Meade and Alderwood Education brands, which both commenced trading on 1 August 2010, contributed to a 57% rise in that sector's permanent fees to £1.1m.

A detailed breakdown of the Group's divisional results can be shown as follows:

Six months to 31 January 2011	Engineering £m	Built Environment £m	Information Systems & Technology £m	Science & Medical £m	Matchtech UK £m	Germany £m	Professional Services £m	elemense £m	Matchtech Group plc £m
Turnover	64.5	30.9	26.5	2.9	124.8	0.6	9.1	6.6	141.1
Contract NFI	4.0	2.2	1.6	0.3	8.1	0.1	0.6	0.6	9.4
Perm NFI	0.7	0.3	1.3	0.6	2.9	0.1	1.1	0.1	4.2
Total NFI	4.7	2.5	2.9	0.9	11.0	0.2	1.7	0.7	13.6
Overheads	(2.3)	(1.5)	(1.8)	(0.9)	(6.5)	(0.3)	(3.3)	(1.0)	(11.1)
Operating Profit	2.4	1.0	1.1	0.0	4.5	(0.1)	(1.6)	(0.3)	2.5

Six months to 31 January 2010	Engineering £m	Built Environment £m	Information Systems & Technology £m	Science & Medical £m	Matchtech UK £m	Germany £m	Professional Services £m	elemense £m	Matchtech Group plc £m
Turnover	56.6	29.9	20.9	3.8	111.2	0.1	8.4	5.7	125.4
Contract NFI	4.2	2.3	1.5	0.4	8.4	0.0	0.6	0.6	9.6
Perm NFI	0.5	0.3	0.6	0.5	1.9	0.0	0.7	0.3	2.9
Total NFI	4.7	2.6	2.1	0.9	10.3	0.0	1.3	0.9	12.5
Overheads	(2.3)	(1.5)	(1.4)	(0.6)	(5.8)	(0.2)	(1.0)	(1.0)	(8.0)
Operating Profit	2.4	1.1	0.7	0.3	4.5	(0.2)	0.3	(0.1)	4.5

Matchtech UK

Matchtech UK reported NFI of £11.0m, a 7% increase compared with 2010 H1, with strong Permanent fee growth partly offset by a fall in contract NFI. The fall in contract NFI was almost entirely due to the impact of reduced margins from our largest contract extensions as outlined above. Operating profit was flat compared with the same period last year, reflecting the additional investment in headcount and the £0.3m LTIP writeback in the first half of last year (2011 H1: £nil).

Engineering is the largest sector in Matchtech UK, representing 43% of NFI for this business. NFI performance saw strong Permanent Fee growth of 40% and a slight fall in Contract NFI of 5%. Contractors on assignment at the end of the period were 2,300, up 10% on the same period last year.

The Built Environment has been the sector most affected by the downturn. Its recovery has been slow to materialise, with NFI of £2.6m down 4%. Permanent fees remained subdued and Contract NFI was down 4% due to client margin pressure and pay rate deflation, but Contractors on assignment were up 9% to 1,200.

The Information Systems & Technology sector combines Commercial IT, Defence and Electronic Systems. It has reported a very strong performance, with NFI of £2.9m up 38% on 2010 H1. Contract NFI was up 7% and Permanent Fees were up 117%.

We continued to invest for future growth in the new Science & Medical sector which reported stable NFI of £0.9m, with a fall in Contract NFI offset by an increase in Permanent fees.

Germany

The Group's German operation, which commenced trading in August 2009, is making progress and starting to build a firm contractor base. The business is establishing a strong market presence in the Aerospace sector winning new Preferred Supplier Agreements in the period. The Automotive market has been slower to develop but we have recently secured our first OEM Preferred Supplier Agreement.

Professional Services

In the first half NFI for Barclay Meade and Alderwood Education was £1.7m, up 31% against 2010 H1, with stable contract NFI and Permanent fees up 57%. The additional investment in resources of £2.3m (including £1.9m in additional sales force headcount and £0.2m in establishment costs), alongside the slower than expected NFI growth, has contributed to an Operating Loss of £1.6m in the period.

The strategy of recruiting experienced Consultants for Barclay Meade is accelerating the business development cycle and we are already trading with new blue chip organisations and have secured key Preferred Supplier Agreements.

Alderwood Education continued to successfully expand its remit further into the supply teaching market and is also proactively involved in the planning stage for the UK Government's new Welfare to Work programme.

elemense

elemense, our RPO brand, is showing progress in delivering broader services in the technical sector, extending existing contracts and winning substantial new clients. elemense provides account management support to some of the Group's largest accounts, including Babcock, Mouchel and WSP, delivering more sophisticated recruitment solutions.

People

The investment in additional headcount is key to the medium term growth prospects for the Group as we look to accelerate our expansion by diversifying the business and attracting key talented people. We are pleased with the quality of the people recruited and the Board is confident that the strategy of diversification is the right one, notwithstanding the negative impact on operating profit results in the short term.

Total staff numbers at the end of the period were 341 (31 January 2010: 270).

Sales force headcount, which is now higher than pre-recessionary levels, may be analysed as follows:

	31 January 2010	31 January 2011	Increase	% Change
Matchtech UK	126	155	+29	+23%
Professional Services	36	72	+36	+100%
Elemense	31	22	-9	-29%
Germany	4	8	+4	+100%
Total	197	257	+60	+30%

Financial Overview

Revenue for the period was £141.1m up 13% (2010 H1: £125.4m), with NFI of £13.6m up 9% (2010 H1: £12.5m). Permanent recruitment fees of £4.2m were up 45% (2010 H1: £2.9m) and Contract NFI was down 2% to £9.4m (2010 H1: £9.6m). Contract NFI margin was 6.9% (2010 H1: 7.8%).

Overheads were £11.1m, up by £2.8m (net of a writeback of unvested LTIP charges of £0.3m in 2010 H1), with the majority of the increase reflecting the investment in new sales force headcount across the business. The increase included an additional £1.9m invested in the Management and Sales Force for Professional Services and £0.7m for Matchtech UK. Establishment Costs increased by £0.2m.

Operating profit of £2.5m was down 44% (2010 H1: £4.5m).

NFI Conversion at 18.4% (2010 H1: 36.0%) reflected the cost of new investment.

Interest costs of £0.2m remain relatively low (2010 H1: £0.1m).

Profit before tax of £2.3m was down 48% (2010 H1: £4.4m).

Effective Rate of Tax

The effective rate of tax for the period was 28.7% (2010 H1: 28.2%).

Earnings per share

Basic earnings per share were 6.94p, down 49% (2010 H1: 13.58p).

Fully diluted earnings per share were 6.84p, down 49% (2010 H1: 13.31p).

Cash flow and Net cash / (debt)

Cash inflows from operations were £3.6m (2010 H1: £5.9m) representing cash conversion of 144% (2010 H1: 131%).

Capital expenditure for the period was £0.4m (2010 H1: £0.0m).

The Group ended the period with net debt of £4.8m (31 January 2010: net cash £0.8m; 31 July 2010: net debt £4.5m).

Debtors

Debtor days at the end of the period were 47 (2010 H1: 43; 2010 H2: 47), with no unimpaired debtors over 90 days overdue (2010 H1: £nil; 2010 H2: £nil).

The Group's largest single client represented 13% of revenue for the 12 months to 31 January 2011. As at 31 January 2011, including accrued income, this client represented £5.1m (13%) of the Group's trade receivables and as at 31 March 2011 less than 2% of this debt was beyond terms.

Banking

The Group has a committed Confidential Invoice Discounting ("CID") facility with Barclays Bank until April 2013. The facility allows the Group to borrow up to 90% of its qualifying UK invoiced debtors capped at £25.0m, with a single debtor cap of 20% of total debtor book.

As at 31 January 2011 the Group's qualifying invoiced debtor book stood at £29.9m, with a further £8.2m of accrued invoices.

Interest is charged on borrowings at Barclays Bank Base Rate plus 2.25%.

Peak net debt in the period was £16.6m.

Dividend

The Board has today declared a maintained interim dividend of 5.0 pence per share reflecting the strength and resilience of the core business and the Board's confidence in the future.

The interim dividend will be paid on 21 June 2011 to those shareholders on the register at close of business on 2 June 2011.

Risk

The Group considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation have not changed in the period from those disclosed on pages 26 and 27 of the annual financial statements for the year ended 31 July 2010. The Board remains actively engaged in monitoring and seeking to mitigate these potential risks, in particular the impact of the continuing recessionary and liquidity issues in our major markets.

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. Information about the absolute and relative scale of the Group's largest single debtor is disclosed under Debtors above.

Launching new brands into the market, along with attracting and retaining the right talent to the business, has had a short term impact on the profitability of the Group.

Outlook

Trading has continued to progress steadily since our last update on 1 February 2011.

Although, in general, the economic climate remains subdued, we are seeing improvement in some areas in which Matchtech is a market leader. Reflecting trends within the Group, the most recent *KPMG/REC UK Labour Market Report on Jobs* highlighted IT, Engineering and Professional Services as the top three sectors for improved levels of demand for permanent staff and Engineering, Blue Collar and IT as the top three sectors currently in demand for temporary and contract staff.

Our balanced Contract and Permanent mix and niche specialisation in these sectors along with the continued efforts of our staff in maintaining and developing our business all give the Board confidence in its outlook for the Group's prospects over the medium term.

The Board currently anticipates that the results for the year to 31 July 2011 will be in line with market expectations.

George Materna
Chairman

7 April 2011

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.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 31 January 2011

	Note	6 months to 31/01/11 <i>unaudited</i> £'000	6 months to 31/01/10 <i>unaudited</i> £'000	12 months to 31/07/10 £'000
CONTINUING OPERATIONS				
Revenue	2	141,062	125,448	264,431
Cost of Sales		(127,414)	(112,955)	(238,274)
GROSS PROFIT	2	13,648	12,493	26,157
Administrative expenses		(11,188)	(7,969)	(17,430)
OPERATING PROFIT	2	2,460	4,524	8,817
Finance income		5	5	6
Finance cost		(190)	(123)	(248)
PROFIT BEFORE TAX		2,275	4,406	8,575
Income tax expense	3	(654)	(1,244)	(2,436)
PROFIT FOR THE PERIOD		1,621	3,162	6,139

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

EARNINGS PER ORDINARY SHARE

		pence	pence	pence
Basic	5	6.94	13.58	26.35
Diluted	5	6.84	13.31	25.96

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 January 2011

	6 months to 31/01/11 <i>unaudited</i> £'000	6 months to 31/01/10 <i>unaudited</i> £'000	12 months to 31/07/10 £'000
PROFIT FOR THE PERIOD	1,621	3,162	6,139
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations	(12)	5	18
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	(12)	5	18
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,609	3,167	6,157

CONDENSED CONSOLIDATED BALANCE SHEET

as at 31st January 2011

	Note	31/01/2011 <i>unaudited</i>	31/01/2010 <i>unaudited</i>	31/07/2010
		£'000	£'000	£'000
ASSETS				
Non-current assets				
Property, plant and equipment		1,653	1,361	1,627
Intangible assets		126	129	111
Deferred tax assets		172	57	119
		1,951	1,547	1,857
Current Assets				
Trade and other receivables	7	39,811	31,772	41,038
Cash and cash equivalents		778	793	272
		40,589	32,565	41,310
TOTAL ASSETS		42,540	34,112	43,167
LIABILITIES				
Current liabilities				
Trade and other payables		(13,257)	(11,203)	(13,702)
Current tax liability		(697)	(1,269)	(1,010)
Bank loans and overdrafts		(5,607)	-	(4,783)
		(19,561)	(12,472)	(19,495)
TOTAL LIABILITIES		(19,561)	(12,472)	(19,495)
NET ASSETS		22,979	21,640	23,672
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Called-up equity share capital	6	233	232	233
Share premium account		3,125	3,045	3,098
Other reserves		811	484	708
Retained earnings		18,810	17,879	19,633
TOTAL EQUITY		22,979	21,640	23,672

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 January 2011

	6 months to 31/01/11 <i>unaudited</i>	6 months to 31/01/10 <i>unaudited</i>	12 months to 31/07/10
	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation	1,621	3,162	6,139
Adjustments for:			
Depreciation and amortisation	258	243	503
Profit on disposal of property, plant and equipment	(16)	(4)	(4)
Interest income	(5)	(5)	(6)
Interest expense	190	123	248
Taxation expense recognised in profit and loss	654	1,244	2,436
(Increase)/decrease in trade and other receivables	1,227	1,131	(8,134)
Increase/(decrease) in trade and other payables	(445)	270	2,770
Unrealised foreign exchange losses/(gains), net	(16)	6	20
Share based payment charge/ (credit)	140	(295)	(145)
Cash generated from operations	3,608	5,875	3,827
Interest paid	(190)	(123)	(248)
Income taxes paid	(1,013)	(1,300)	(2,811)
NET CASH FROM OPERATING ACTIVITIES	2,405	4,452	768
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	(331)	(33)	(533)
Purchase of intangibles	(43)	(9)	(23)
Proceeds from sale of plant and equipment	91	10	15
Interest received	5	5	6
NET CASH USED IN INVESTING ACTIVITIES	(278)	(27)	(535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	28	-	52
Proceeds from/(repayments to) invoice discounting facility	624	(1,536)	3,247
Increase in overdraft	200	66	66
Dividends paid	(2,476)	(2,468)	(3,633)
NET CASH USED IN FINANCING ACTIVITIES	(1,624)	(3,938)	(268)
Effects of exchange rates on cash and cash equivalents	3	(1)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	506	486	(35)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	272	307	307
CASH AND CASH EQUIVALENTS AT END OF PERIOD	778	793	272

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 January 2011

	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 2009	-	232	3,045	224	550	17,184	21,235
Dividends in the period	-	-	-	-	-	(2,468)	(2,468)
Deferred tax movement re share options	-	-	-	-	-	1	1
IFRS 2 credit	-	-	-	-	(295)	-	(295)
Transactions with owners	-	-	-	-	(295)	(2,467)	(2,762)
Profit for the year	-	-	-	-	-	3,162	3,162
Other comprehensive income	5	-	-	-	-	-	5
Total comprehensive income	5	-	-	-	-	3,162	3,167
Balance at 31 January 2010	5	232	3,045	224	255	17,879	21,640
Balance at 1 August 2009	-	232	3,045	224	550	17,184	21,235
Dividends in the period	-	-	-	-	-	(3,633)	(3,633)
Deferred tax movement re share options	-	-	-	-	-	4	4
IFRS 2 credit	-	-	-	-	(145)	-	(145)
IFRS 2 reserves transfer	-	-	-	-	61	(61)	-
Shares issued	-	1	53	-	-	-	54
Transactions with owners	-	1	53	-	(84)	(3,690)	(3,720)
Profit for the year	-	-	-	-	-	6,139	6,139
Other comprehensive income	18	-	-	-	-	-	18
Total comprehensive income	18	-	-	-	-	6,139	6,157
Balance at 31 July 2010	18	233	3,098	224	466	19,633	23,672
Balance at 1 August 2010	18	233	3,098	224	466	19,633	23,672
Dividends in the period	-	-	-	-	-	(2,476)	(2,476)
Deferred tax movement re share options	-	-	-	-	-	7	7
IFRS 2 charge	-	-	-	-	140	-	140
IFRS 2 reserves transfer	-	-	-	-	(25)	25	-
Shares issued	-	-	27	-	-	-	27
Transactions with owners	-	-	27	-	115	(2,444)	(2,302)
Profit for the year	-	-	-	-	-	1,621	1,621
Other comprehensive income	(12)	-	-	-	-	-	(12)
Total comprehensive income	(12)	-	-	-	-	1,621	1,609
Balance at 31 January 2011	6	233	3,125	224	581	18,810	22,979

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 2011. 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 2010 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 2011 or are expected to be adopted and effective at 31 July 2011.

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 Going concern

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

iv New standards and interpretations

New standards and amendments to existing standards applicable for the period ending 31 January 2011 are:

- IFRS 2 'Group cash-settled share-based payment transactions'
- IAS32 'Classification of rights issues'
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'

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

New standards in issue, not yet effective

Standard		Effective date (Annual periods beginning on or after)
IFRS 9	Financial instruments	1 January 2013
IAS 24	Related party disclosures	1 January 2011
IFRS improvements	Various	Various

Based on the Group's current business model and accounting policies, the Directors do not expect material impacts on the figures in the Group's financial statements when the interpretations become effective.

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

v 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.

Transactions between Group companies are eliminated on consolidation.

vi Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the group for services provided, excluding VAT and trade discounts. Revenue on temporary placements is recognised upon receipt of a client approved timesheet or equivalent. Revenue from permanent placements, which is based on a percentage of the candidate's remuneration package, is recognised when candidates commence employment, at which point it is probable that the economic benefits associated with the transaction will be transferred. Revenue for executive search fees is recognised in line with the invoicing structure agreed with the client, at which point there is a contractual entitlement to the economic benefits.

vii 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	25.0%	Reducing balance
Computer equipment	25.0%	Straight line
Equipment	12.5%	Straight line

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

viii Intangible assets

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

xi Disposal of assets

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

x Operating lease agreements

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

xi Taxation

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

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

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

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

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

xii **Pension costs**

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

xiii **Share based payment**

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

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

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

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

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

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

xv **Financial assets**

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using effective interest method, less provision for

impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

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

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

Trade receivables subject to the invoice discounting facility are recognised in the balance sheet until they are settled by the customer.

xvi **Financial liabilities**

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

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

xvii **Cash and cash equivalents**

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

xviii **Dividends**

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

xix **Foreign currencies**

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

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

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

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

xx **Equity**

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.

- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Other reserve" represents the equity balance arising on the merger of Matchtech Engineering and Matchmaker Personnel.
- "Translation of foreign operations" represents the foreign currency differences arising on translating foreign operations into the presentational currency of the Group.
- "Retained earnings" represents retained profits.

2 SEGMENTAL INFORMATION

The chief operating decision maker, as defined in IFRS 8, has been identified as the Board of Directors of Matchtech Group plc. The information reported below for the current period is consistent with the reports regularly provided to the Board of Directors. On 1 August 2010 the Group was restructured, accordingly the information for prior periods has been reported below as if the new structure had been implemented. The operating profit has been estimated using staff headcounts as the basis for apportioning costs.

Reportable segments

6 months to 31 Jan 2011

unaudited

All amounts in £'000	Engineering	Built Environment	Information Systems & Technology	Science & Medical	Total Matchtech UK	Professional Services	elemense	Germany	Total
Revenue	64,562	30,889	26,492	2,986	124,929	9,121	6,431	581	141,062
Internal revenue and charges	(55)	(59)	(19)	(6)	(139)	(16)	155	-	-
Net fee income – contract	4,060	2,167	1,555	311	8,093	634	623	114	9,464
Net fee income – permanent	731	320	1,299	538	2,888	1,139	74	83	4,184
Gross profit	4,791	2,487	2,854	849	10,981	1,773	697	197	13,648
Operating profit	2,452	995	1,068	17	4,532	(1,659)	(293)	(120)	2,460
Profit before tax	2,368	957	1,035	14	4,374	(1,669)	(305)	(125)	2,275

Trade receivables

36,238 1,149 1,356 429 **39,172**

6 months to 31 Jan 2010

unaudited

All amounts in £'000	Engineering	Built Environment	Information Systems & Technology	Science & Medical	Total Matchtech UK	Professional Services	elemense	Germany	Total
Revenue	56,852	30,125	20,926	3,849	111,752	8,358	5,198	140	125,448
Internal revenue and charges	(236)	(196)	(48)	(16)	(496)	-	496	-	-
Net fee income – contract	4,162	2,305	1,545	370	8,382	626	600	16	9,624
Net fee income – permanent	483	266	601	474	1,824	742	267	36	2,869
Gross profit	4,645	2,571	2,146	844	10,206	1,368	867	52	12,493
Operating profit	2,309	1,054	849	330	4,542	285	(101)	(202)	4,524
Profit before tax	2,283	1,032	826	323	4,464	256	(108)	(206)	4,406

Trade receivables

27,735 2,285 1,659 93 **31,772**

Year to 31 Jul 2010**unaudited**

All amounts in £'000	Engineering	Built Environment	Information Systems & Technology	Science & Medical	Total Matchtech UK	Professional Services	elemense	Germany	Total
Revenue	119,474	63,436	45,746	6,696	235,352	18,352	10,287	440	264,431
Internal revenue and charges	(498)	(413)	(101)	(34)	(1,046)	-	1,046	-	-
Net fee income – contract	8,720	4,702	3,305	681	17,408	1,438	1,186	65	20,097
Net fee income – permanent	1,035	451	1,459	759	3,704	1,642	614	100	6,060
Gross profit	9,755	5,153	4,764	1,440	21,112	3,080	1,800	165	26,157
Operating profit	4,453	2,176	1,606	606	8,841	269	85	(378)	8,817
Profit before tax	4,353	2,127	1,559	591	8,630	264	66	(385)	8,575

Trade receivables **35,946** 2,768 1,630 171 **40,515**

Each segment derives its revenues from both temporary and permanent placements. The Engineering, Built Environment, Information Systems & Technology and Science & Medical segments together make up Matchtech Group UK Ltd. Professional Services includes Alderwood Education Ltd and Barclay Meade Ltd.

A segmental analysis of total assets has not been included as this information is not available to the board; the majority of assets are centrally held and are not allocated across the reportable segments. Only trade receivables segmental information is made available to the board, and this is reviewed on a customer-by-customer basis at an individual company level. Accordingly, the trade receivables information above has not been allocated across the reportable segments within Matchtech.

Geographical information

All amounts in £'000	UK			Germany			Total		
	6 months to 31 Jan 11	6 months to 31 Jan 10	12 months to 31 Jul 10	6 months to 31 Jan 11	6 months to 31 Jan 10	12 months to 31 Jul 10	6 months to 31 Jan 11	6 months to 31 Jan 10	12 months to 31 Jul 10
Revenue	140,481	125,308	263,991	581	140	440	141,062	125,448	264,431
Gross profit	13,451	12,441	25,992	197	52	165	13,648	12,493	26,157
Operating profit	2,580	4,726	9,195	(120)	(202)	(378)	2,460	4,524	8,817
Profit before tax	2,400	4,612	8,960	(125)	(206)	(385)	2,275	4,406	8,575
Non-current assets	1,940	1,547	1,852	11	-	5	1,951	1,547	1,857
Net current assets	20,573	19,984	21,726	455	109	89	21,028	20,093	21,815
Total net assets	22,513	21,531	23,578	466	109	94	22,979	21,640	23,672

Revenue is allocated to the geographic market based on the domicile of the respective subsidiary. The directors are of the opinion that the Group does not generate material cross-border revenues.

Largest customers

During the period ending 31 January 2011 revenues of £17,063,000 (31 January 2010: £16,672,000, year to 31 July 2010 £36,179,000) were generated from sales to the Group's largest client and its business process outsourcer. The majority of this revenue is included within the Engineering segment.

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

The amounts receivable from the Group's largest client and its business process outsourcer were as follows:

	£'000
31 January 2010	2,412
31 July 2010	5,250
31 January 2011	4,471

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 traditionally produces stronger results. Turnover in the 6 months to 31 January 2010 represented 47% of the annual total to 31 July 2010.

3 INCOME TAX EXPENSE

Analysis of charge in the period

	to 31/01/11 unaudited £'000	to 31/01/10 unaudited £'000	to 31/07/10 £'000
Total income tax expense	654	1,244	2,436

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

Profit before tax	2,275	4,406	8,575
Corporation Tax at average rate for the period 27.67% (31/01/10: 28%, 31/07/10: 28%)	629	1,234	2,401
Expenses not (chargeable)/deductable for tax purposes	(3)	6	(24)
Deferred tax asset not provided for due to fall in share price	-	43	-
Enhanced R&D tax relief	(25)	(26)	(54)
Overseas losses carried forward	33	8	97
Adjustments to tax charge in respect of previous periods	20	(20)	16
Total UK tax charge	654	1,244	2,436

4 DIVIDENDS

Dividends on shares classed as equity:

	6 months to 31/01/11 unaudited £'000	6 months to 31/01/10 unaudited £'000	12 months to 31/07/10 £'000
Paid during the period			
Equity dividends on ordinary shares	2,476	2,468	3,633

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 31/01/11 <i>unaudited</i>	6 months to 31/01/10 <i>unaudited</i>	12 months to 31/07/10
	£'000	£'000	£'000
Profits			
Profit for the period	<u>1,621</u>	<u>3,162</u>	<u>6,139</u>
Number of Shares	000's	000's	000's
Weighted average number of ordinary shares in issue	23,362	23,290	23,296
Effect of dilutive potential ordinary shares under option	<u>336</u>	<u>459</u>	<u>349</u>
	<u>23,698</u>	<u>23,749</u>	<u>23,645</u>
Earnings per Share	pence	pence	pence
Earnings per ordinary share from continuing operations			
- Basic	6.94	13.58	26.35
- Diluted	6.84	13.31	25.96

6 SHARE CAPITAL

Authorised share capital	31/01/2011	31/01/2010	31/07/2010
	£'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	31/01/2011	31/01/2010	31/07/2010
	£'000	£'000	£'000
Ordinary shares of £0.01 each	<u>233</u>	<u>232</u>	<u>233</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 31/01/10			
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
6 months to 31/07/10			
30/03/2010	1,600	nil	16
31/03/2010	5,197	145	7,588
30/04/2010	1,391	nil	14
28/05/2010	960	nil	10
30/06/2010	2,022	nil	20
30/06/2010	25,711	145	37,538
23/07/2010	5,263	145	7,684
30/07/2010	2,165	nil	22
6 months to 31/01/11			
04/08/2010	18,349	145	26,790
01/09/2010	648	nil	6
04/10/2010	2,460	nil	25
03/11/2010	2,055	nil	21
01/12/2010	1,839	nil	18
11/01/2011	991	145	1,447
20/01/2011	1,959	nil	20

7 TRADE AND OTHER RECEIVABLES

	31/01/2011	31/01/2010	31/07/2010
	£'000	£'000	£'000
Trade receivables	39,172	31,431	40,515
Other receivables	179	77	129
Prepayments	460	264	394
	<u>39,811</u>	<u>31,772</u>	<u>41,038</u>

Included in the Group's trade receivable balance are debtors with a carrying amount of £4,143,000 (2010: £3,378,000) 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:

	31/01/2011	31/01/2010	31/07/2010
	£'000	£'000	£'000
0-30 days	3,035	3,098	1,494
30-60 days	972	272	170
60-90 days	136	8	-
90+ days	-	-	-
	<u>4,143</u>	<u>3,378</u>	<u>1,664</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.