

## **Interim results for the six months ended 31 January 2008**

Matchtech Group plc ("Matchtech" or the "Group"), one of the UK's leading specialist technical recruitment companies, is pleased to announce its interim results for the six months ended 31 January 2008.

### **Financial Highlights**

- Revenue up 25% to £116.6m (2007 H1: £93.4m)\*
- Net fee income (Gross Profit) up 22% to £15.3m (2007 H1: £12.5m)\*
- Operating profit up 24% to £6.2m (2007 H1: £5.0m)\*
- Operating profit margin 5.3% (2007 H1: 5.4%)\*
- Adjusted Profit Before Tax (before non-recurring items) up 21% to £5.7m (2007 H1: £4.7m)
- Reported Profit Before Tax (after non-recurring items) up 39% to £5.7m (2007 H1: £4.1m)
- Cash flow from operating activities up 112% to £8.7m (2007 H1: £4.1m)
- Adjusted Basic EPS (before non-recurring items) up 8% to 17.09p (2007 H1: 15.86p)
- Reported Basic EPS (after non-recurring items) up 26% to 17.09p (2007 H1: 13.59p)
- Interim dividend 5.0 pence per share (2007: 4.4 pence) up 14%

\*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

This is the first set of financial statements that the Group is required to prepare in accordance with IAS 34 "Interim Financial Reporting" and the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" relevant to interim reports, because they are part of the period covered by the Group's first IFRS financial statements for the year ended 31 July 2008. 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 2007 which have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 237 (2) and (3) of the Companies Act 1985. The transition to IFRS is explained in Note 2 to these interim financial statements. All comparatives have been re-stated in accordance with IFRS.

### **Operating Highlights**

- Strong organic growth across all sectors (Engineering, Built Environment and Support Services)
- 33% increase in permanent placements, 31% increase in permanent fees
- 10% increase in contractor numbers, 19% increase in contract NFI
- 39% increase in sales headcount to 189 from 136

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

"We are very pleased with these results confirming that Matchtech has sustained good progress through organic growth across all three of the Group's sectors.

"The sectors that we serve continue to exhibit strong structural growth characteristics. Moreover we have a highly diversified and expanding customer base, which provides further opportunities for growth and adds an element of protection to our business.

"Candidates and Contractors remain in short supply, with wage inflation continuing in each of the sectors in which we operate. This demonstrates that the market continues to be candidate driven, allowing Matchtech to utilise its superior service delivery capabilities to gain market share.

"We believe that there are strong opportunities for continued growth, both from the significant investment made in our sales headcount at the start of the year, which we expect to show through in the second half, and from our existing business development pipeline. The Board remains confident in the outlook for the year and expects to be able to report sound progress in the second half."

**For further information please contact:**

**Matchtech Group plc**

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**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 2nd largest technical and engineering recruitment specialist and the UK's 21st largest recruitment company (Source: Recruitment International Top 100 Report - August 2007).

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, pharmaceutical, marine, aerospace, automotive, water, electronics, civil engineering, building structures and transport infrastructure.

**MATCHTECH GROUP PLC**  
**Interim report for the period ended 31 January 2008**

**Chairman's statement**

**Operating review**

The Group again saw good growth across all three of its sectors, Engineering, Built Environment and Support Services, during the first half of the financial year.

	<b>2008 H1</b>	<b>2007 H1</b>	<b>Change</b>
	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Engineering sector</b>			
Net Fee Income	7.8	6.4	22%
Operating Profit	3.4	2.7	26%
<b>Built Environment sector</b>			
Net Fee Income	4.2	3.3	27%
Operating Profit	1.8	1.4	29%
<b>Support Services sector</b>			
Net Fee Income	3.2	2.8	14%
Operating Profit	0.9	0.8	13%

The results have been achieved entirely through organic growth in the UK.

Engineering, our largest sector, continues to deliver good growth. In particular demand was strong in Oil & Gas where the current level of oil price has led to increased capital investment. We have a strong established brand in the Engineering sector and the business pipeline looks favourable.

Built Environment continues to see the strongest growth, with clients providing generally good visibility of projects for several years ahead. Public sector investment contributes as a major driver in this market. Clients seem a little more flexible on choice of candidate as skill shortages continue to tighten. Contract lengths are extending and contract rates are as high as they have ever been.

Foundations continue to be laid in our newest sector Support Services, by investment in new staff to ensure the best possible platform for sustainable future growth. Cross selling opportunities, into other parts of the Group will, over time, convert into a strong revenue stream.

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

	<b>2008 H1</b>	<b>2007 H1</b>	<b>Change</b>
<b>Permanent placements</b>			
Number of permanent placements	1,356	1,022	+ 33%
Permanent fees	£5.1m	£3.9m	+ 31%
Average permanent fees per placement	£3,753	£3,855	- 3%
<b>Contractors</b>			
Number of working contractors	4,541	4,122	+ 10%
Contract Net Fee Income	£10.2m	£8.6m	+ 19%
<b>Net Fee Income</b>			
Contract	67%	69%	
Permanent	33%	31%	

## **People**

Our performance reflects the strength and stability of our management team and the quality of our staff. Expansion is being led by experienced and home grown Matchtech managers and directors. The Matchtech team has shown great unity of purpose, amplified by our strong internal communication and technology systems that enable the flow of strategic information throughout the company.

Sales staff numbers increased by 39% over the year to 189 (January 2007: 136, July 2007: 170). We added 9 Support staff in the first half bringing the total to 90 (January 2007: 75, July 2007: 81), partly reflecting the increased levels of compliance required from regulators and clients.

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

## **Financial Overview**

The Group delivered good results across all three of its sectors.

Revenue increased 25% to £116.6m (2007 H1: £93.4m, excluding £0.2m Revenue discontinued business), with Net Fee Income up 22% to £15.3m (2007 H1: £12.5m).

Underlying operating profit (excluding non-recurring items) was £6.2m, an increase of 24% (2007 H1: £5.0m). This reflected a slight decrease in operating margin to 5.3% (2007 H1: 5.4%). The non-recurring items in 2007 were £0.5m. 2008: £Nil.

Reported profit before tax was up 39% at £5.7m (2007 H1: £4.1m) and underlying profit before tax (excluding profits from the US business sold in August 2006 as well as non-recurring items) was up 21% to £5.7m (2007 H1: £4.7m).

## **Effective Rate of Tax**

The effective rate of tax for the period is 30.5% (2007 H1: 24.9% pre non-recurring items). Under IFRS 12 deferred tax is recognised to take into account the fact that gains made on qualifying share options exercised during the period attract tax relief. The effective tax rate will be impacted by the actual timing of exercise of the options and the magnitude of the tax benefit obtained.

## **Earnings per share**

Notwithstanding the higher Effective Tax Rate, the Group continued to produce good growth in earnings per share.

Basic earnings per share increased by 26% to 17.09p (2007 H1: 13.59p), with adjusted earnings per share (excluding non-recurring items) increasing by 8% to 17.09p (2007 H1: 15.86p).

Fully diluted earnings per share increased by 30% to 16.53p (2007 H1: 12.75p), with adjusted fully diluted earnings per share (excluding non-recurring items) increasing by 9% to 16.53p (2007 H1: 15.23p).

## **Cash flow**

Cash inflows from operating activities in the period were £8.7m (2007 H1: £4.1m) representing cash conversion of 140% (2007 H1: 93%)

Capital expenditure was £0.7m (2007 H1: £0.5m).

Net debt at 31 January 2008 was £5.4m (31 January 2007: £11.5m, 31 July 2007: £9.8m).

## **Dividend**

Reflecting the performance of our business in the first half, the Board has declared an interim dividend of 5.0 pence per share, an increase of 14% (2007: H1 4.4p).

The interim dividend will be paid on 24 June 2008 to those shareholders on the register at close of business on 6 June 2008.

## **Risk**

The Group considers strategic, financial and operational risks and identifies actions to mitigate those risks. Key risks and their mitigation are disclosed in the 2007 Annual Report and no significant new risks have been identified in the period.

## **Growth strategy**

Our unique single site model continues to provide a stable, low cost platform for growth. The growth strategy is being implemented by an experienced management team and is based around a balanced contract/perm mix in our target recruitment markets. We aim to further segment and subdivide our markets and to deepen our niche specialisations over time.

## **Outlook**

General business sentiment in our markets has remained positive to date, and the sectors that we serve continue to exhibit strong structural growth characteristics. Moreover we have a highly diversified and expanding customer base, which provides further opportunities for growth and adds protection to our business.

Candidates and Contractors remain in short supply, with wage inflation continuing in each of the sectors in which we operate. This demonstrates that the market continues to be candidate driven, allowing Matchtech to utilise its superior service delivery capabilities to gain market share.

We believe that there are strong opportunities for continued growth, both from the significant investment made in our sales headcount at the start of the year through our graduate program, which is expected to show through in the second half, and from our existing business development pipeline. The Board remains confident in its outlook for the year and expects to be able to report sound progress in the second half.

**George Materna**  
**Chairman**

**17 March 2008**

**MATCHTECH GROUP PLC**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST JANUARY 2008**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the period ended 31 January 2008

	Note	6 months to 31/01/08	6 months to 31/01/07	12 months to 31/07/07
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
		£'000	£'000	£'000
<b>CONTINUING OPERATIONS</b>				
Revenue	3	116,562	93,438	202,779
Cost of Sales		(101,290)	(80,933)	(175,902)
<b>GROSS PROFIT</b>	3	15,272	12,505	26,877
Cost of Admission to AIM		0	(572)	(572)
Other administrative expenses		(9,119)	(7,427)	(15,623)
Total administrative expenses		(9,119)	(7,999)	(16,195)
<b>OPERATING PROFIT</b>	3	6,153	4,506	10,682
Finance income		18	13	20
Finance cost		(500)	(390)	(831)
<b>PROFIT BEFORE TAX</b>		5,671	4,129	9,871
Income tax expense	4	(1,729)	(1,169)	(2,356)
<b>PROFIT FROM CONTINUING OPERATIONS</b>		3,942	2,960	7,515
<b>DISCONTINUED OPERATIONS</b>				
Profit from discontinued operations	5	0	67	67
<b>PROFIT FOR THE PERIOD</b>		3,942	3,027	7,582

**EARNINGS PER ORDINARY SHARE**

		6 months to 31/01/08	6 months to 31/01/07	12 months to 31/07/07
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
		pence	pence	Pence
<b>Continuing operations</b>				
Basic	7	17.09	13.29	33.44
Diluted	7	16.53	12.75	32.64
<b>Total operations</b>				
Basic	7	17.09	13.59	33.74
Diluted	7	16.53	13.04	32.93

## CONDENSED CONSOLIDATED BALANCE SHEET

		Note	31/01/08	31/01/07	31/07/07
			<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<b>ASSETS</b>			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>					
Property, plant and equipment			2,014	1,590	1,699
Intangible assets			186	113	133
Deferred tax assets			502	879	529
			2,702	2,582	2,361
<b>Current Assets</b>					
Trade and other receivables			29,039	25,672	31,984
Cash and cash equivalents			91	353	836
			29,130	26,025	32,820
<b>TOTAL ASSETS</b>			<b>31,832</b>	<b>28,607</b>	<b>35,181</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables			(11,677)	(8,881)	(12,617)
Current tax liability			(1,773)	(904)	(1,068)
Bank loans and overdrafts	- short term				
	borrowings		(2,556)	(7,292)	(6,924)
	- current portion				
	of long term				
	borrowings		(1,666)	(1,666)	(1,666)
			(17,672)	(18,743)	(22,275)
<b>Non-current liabilities</b>					
Long term borrowings			(1,251)	(2,917)	(2,083)
<b>TOTAL LIABILITIES</b>			<b>(18,923)</b>	<b>(21,660)</b>	<b>(24,358)</b>
<b>NET ASSETS</b>			<b>12,909</b>	<b>6,947</b>	<b>10,823</b>

## EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Called-up equity share capital			231	225	230
Share premium account			2,892	2,367	2,829
Other reserves			859	685	610
Retained earnings			8,927	3,670	7,154
<b>TOTAL EQUITY</b>			<b>12,909</b>	<b>6,947</b>	<b>10,823</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

			<b>6 months to 31/01/08</b>	<b>6 months to 31/01/07</b>	<b>12 months to 31/07/07</b>
		Note	<b>Unaudited £'000</b>	<b>Unaudited £'000</b>	<b>Unaudited £'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit after taxation			3,942	3,027	7,582
Adjustments for:					
-Depreciation			306	226	499
-Profit on disposal of discontinued operation		5	0	(59)	(59)
-Foreign exchange gain on disposal of discontinued operation			0	(3)	(3)
-Profit on disposal of property, plant and equipment			(3)	0	0
-Interest income			(18)	(13)	(20)
-Interest expense			500	390	831
-Taxation expense recognised in profit and loss			1,729	1,172	2,359
-Increase)/decrease in trade and other receivables			2,950	(1,240)	(7,516)
-Increase in trade and other payables			(939)	473	4,118
-Share based payment charge			250	125	321
Cash generated from operations			8,717	4,098	8,112
Interest paid			(500)	(390)	(831)
Income taxes paid			(1,024)	(1,256)	(2,205)
<b>NET CASH FROM OPERATING ACTIVITIES</b>			<b>7,193</b>	<b>2,452</b>	<b>5,076</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of Matchtech Inc			0	105	105
Purchase of plant and equipment			(708)	(532)	(960)
Proceeds from sale of plant			37	0	28
Interest received			18	13	20
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			<b>(653)</b>	<b>(414)</b>	<b>(807)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of share capital			64	361	829
Proceeds from long-term borrowings			(5,096)	1,918	699
Dividends paid			(2,148)	(4,414)	(5,428)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>			<b>(7,180)</b>	<b>(2,135)</b>	<b>(3,900)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>					
			(640)	(97)	369
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>					
			659	290	290
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>					
			19	193	659

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Foreign	Share	Share	Other	Share	Retained	Total
	currency	Capital	premium	reserve	based	Earnings	
	translation				payment		
	reserve				reserve		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2006</b>	0	221	2,009	229	338	4,884	7,681
Currency translation							
differences	3	0	0	0	0	0	3
Net income recognised							
directly in equity	3	0	0	0	0	0	3
Profit for the period	(3)	0	0	0	0	3,027	3,024
Total recognised income							
and expense for the period	0	0	0	0	0	3,027	3,027
Dividends	0	0	0	0	0	(4,414)	(4,414)
IAS 12 adjustment to							
deferred tax asset	0	0	0	0	0	168	168
EBT reserve movement	0	0	0	(5)	0	5	0
Share based payment							
reserve movement	0	0	0	0	123	0	123
New share capital	0	4	358	0	0	0	362
	0	225	358	(5)	123	(4,241)	(3,761)
<b>Balance at 31 January 2007</b>	0	225	2,367	224	461	3,670	6,947
<b>Balance at 1 August 2006</b>	0	221	2,009	229	338	4,884	7,681
Currency translation							
differences	3	0	0	0	0	0	3
Net income recognised							
directly in equity	3	0	0	0	0	0	3
Profit for the year	-3	0	0	0	0	7,582	7,579
Total recognised income							
and expense for the year	0	0	0	0	0	7,582	7,582
Dividends	0	0	0	0	0	(5,428)	(5,428)
IAS 12 adjustment to							
deferred tax asset	0	0	0	0	0	111	111
EBT reserve movement	0	0	0	-5	0	5	0
Share based payment							
reserve movement	0	0	0	0	48	0	48
New share capital	0	9	820	0	0	0	829
	0	9	820	-5	0	(5,312)	(4,440)
<b>Balance at 31 July 2007</b>	0	230	2,829	224	386	7,154	10,823
<b>Balance at 1 August 2006</b>	0	230	2,829	224	386	7,154	10,823
Profit for the period	0	0	0	0	0	3,942	3,942
Total recognised income							
and expense for the year	0	0	0	0	0	3,942	3,942
Dividends	0	0	0	0	0	(2,149)	(2,149)
Share based payment							
reserve movement	0	0	0	0	249	(20)	229
New share capital	0	1	63	0	0	0	64
	0	1	63	0	249	(2,169)	(1,856)
<b>Balance 31 January 2008</b>	0	231	2,892	224	635	8,927	12,909

## 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 Support 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 2008. They have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" relevant to interim reports, because they are part of the period covered by the Group's first IFRS financial statements for the year ended 31 July 2008. 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 2007 which have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 237 (2) and (3) of the Companies Act 1985.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 31 July 2008 or are expected to be adopted and effective at 31 July 2008, our first annual reporting date at which we are required to use IFRS accounting standards as adopted by the EU.

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

These financial statements have been prepared under the historical cost convention. The accounting policies have been applied consistently throughout 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.

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

- business combinations prior to 1 August 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations".
- cumulative translation differences on foreign operations are deemed to be nil at 1 August 2006. Any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date.
- the Group has not applied IFRS 2, share based payments to share options awards granted prior to 7 November 2002, nor to those granted subsequent to that date but which had vested by 1 August 2006, the date of transition.

**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 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 Discontinued operations**

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

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

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

**xv Financial assets**

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

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.

**xvi Financial liabilities**

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

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

**xvii Cash and cash equivalents**

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

**xviii Dividends**

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

**xix Equity**

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Other reserve" represents the equity balance arising on the merger of Matchtech Engineering and Matchmaker Personnel.
- "Profit and loss reserve" represents retained profits.

**xx Foreign currencies**

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

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in equity to the extent that they relate to a gain or loss on that non-monetary item taken to equity, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Foreign currency reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

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

**xxi Employee benefit trust**

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

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

## 2 TRANSITIONAL ARRANGEMENTS

These are the Group's first condensed consolidated interim financial statements for part of the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below.

### Reconciliation of equity at 1 August 2006

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

### Reconciliation of consolidated balance sheet and equity at 31 January 2007

	UK GAAP	IAS 1	IAS 12	IAS 17	IAS 19	IFRS
		Presentation	Income	Leases	Employee	as restated
		of financial	Taxes		Benefits	
	£'000	statements	£'000	£'000	£'000	£'000
		£'000	£'000	£'000	£'000	£'000
<b>NON-CURRENT ASSETS</b>						
Intangible assets	113	0	0	0	0	113
Property, plant and equipment	1,590	0	0	0	0	1,590
Deferred tax assets	0	879	0	0	0	879
<b>CURRENT ASSETS</b>						
Trade and other receivables	25,819	(879)	732	0	0	25,672
Cash and cash equivalents	353	0	0	0	0	353
<b>CURRENT LIABILITIES</b>						
Trade and other payables	(8,793)	0	0	(57)	(31)	(8,881)
Tax liability	(904)	0	0	0	0	(904)
Bank loans and overdrafts	(8,958)	0	0	0	0	(8,958)
<b>NON-CURRENT LIABILITIES</b>						
Bank loan	(2,917)	0	0	0	0	(2,917)
<b>NET ASSETS</b>	<b>6,303</b>	<b>0</b>	<b>732</b>	<b>(57)</b>	<b>(31)</b>	<b>6,947</b>

<b>EQUITY</b>						
Called-up equity share capital	225	0	0	0	0	225
Share premium account	2,367	0	0	0	0	2,367
Other reserves	685	0	0	0	0	685
Retained earnings	3,026	0	732	(57)	(31)	3,670
<b>TOTAL EQUITY</b>	<b>6,303</b>	<b>0</b>	<b>732</b>	<b>(57)</b>	<b>(31)</b>	<b>6,947</b>

#### Reconciliation of consolidated balance sheet and equity at 31 July 2007

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

Reconciliation of consolidated income statement for the period ended 31 January 2007

	UK GAAP	IAS 1	IAS 17	IAS 19	IAS 21	IFRS
		Presentation	Leases	Employee	Foreign	as restated
		of financial		Benefits	Exchange	
		statements			Rates	
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	93,573	(135)	0	0	0	93,438
Cost of sales	(81,050)	117	0	0	0	(80,933)
<b>Gross profit</b>	12,523	(18)	0	0	0	12,505
Administration Costs	(7,485)	10	7	41	0	(7,427)
Cost of admission to AIM	(572)	0	0	0	0	(572)
Profit on sale of discontinued operation	59	(59)	0	0	0	0
Finance Income	13	0	0	0	0	13
Finance Cost	(390)	0	0	0	0	(390)
<b>Profit before tax</b>	4,148	(67)	7	41	0	4,129
Taxation	(1,172)	3		0	0	(1,169)
<b>Profit for the period</b>	2,976	(64)	7	41	0	2,960
Profit from discontinued operations	0	64	0	0	3	67
<b>Profit for the period from total operations</b>	2,976	0	7	41	3	3,027

Reconciliation of consolidated income statement for year ended 31 July 2007

	UK GAAP	IAS 1	IAS 17	IAS 19	IAS 21	IFRS
		Presentation	Leases	Employee	Foreign	as restated
		of financial		Benefits	Exchange	
		statements			Rates	
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	202,914	(135)	0	0	0	202,779
Cost of sales	(176,019)	117	0	0	0	(175,902)
<b>Gross profit</b>	26,895	(18)	0	0	0	26,877
Administration Costs	(15,627)	10	(2)	(4)	0	(15,623)
Cost of admission to AIM	(572)	0	0	0	0	(572)
Profit on sale of discontinued operation	59	(59)	0	0	0	0
Finance Income	19	0	0	0	0	19
Finance Cost	(830)	0	0	0	0	(830)
<b>Profit before tax</b>	9,944	(67)	(2)	(4)	0	9,871
Taxation	(2,359)	3	0	0	0	(2,356)
<b>Profit for the period</b>	7,585	(64)	(2)	(4)	0	7,515
Profit from discontinued operations	0	64	0	0	3	67
<b>Profit for the period from total operations</b>	7,585	0	(2)	(4)	3	7,582

Notes to the reconciliations

### **IAS 1 Presentation of financial statements**

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

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

### **IAS 12 Income Taxes**

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

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

### **IAS 17 Leases**

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

### **IAS 19 Employee benefits**

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

### **IAS 21 The Effects of Changes in Foreign Exchange Rates**

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

### **Cash Flow statement**

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

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

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

### 3 SEGMENTAL INFORMATION

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

#### (i) Segmental

	6 months to 31/01/08	6 months to 31/01/07	12 months to 31/07/07
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	£'000	£'000	£'000
A segmental analysis of revenue is given below:			
Engineering	67,276	59,990	129,299
Built Environment	31,463	18,629	40,046
Support Services	17,823	14,819	33,434
<b>Continuing operations</b>	<b>116,562</b>	<b>93,438</b>	<b>202,779</b>
Discontinued Operations	0	135	135
<b>Total</b>	<b>116,562</b>	<b>93,573</b>	<b>202,914</b>
A segmental analysis of gross profit is given below:			
Engineering	7,803	6,394	14,833
Built Environment	4,226	3,274	6,000
Support Services	3,243	2,837	6,044
<b>Continuing operations</b>	<b>15,272</b>	<b>12,505</b>	<b>26,877</b>
Discontinued Operations	0	18	18
<b>Total</b>	<b>15,272</b>	<b>12,523</b>	<b>26,895</b>
A segmental analysis of operating profit is given below:			
Engineering	3,468	2,563	5,896
Built Environment	1,820	1,118	2,384
Support Services	865	825	2,402
<b>Continuing operations</b>	<b>6,153</b>	<b>4,506</b>	<b>10,682</b>
Discontinued Operations	0	8	8
<b>Total</b>	<b>6,153</b>	<b>4,514</b>	<b>10,690</b>

#### (ii) Seasonality

With the first half of the financial year including holiday seasons in August and at Christmas when recruitment activity is quieter than normal, the second half of the year generally produces stronger results. Revenue in the 6 months to 31 January 2007 excluding discontinued operations represented 46% of the annual total.

## 4 INCOME TAX EXPENSE

Analysis of charge in the year

		6 months to 31/01/08	6 months to 31/01/07	12 months to 31/07/07
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
		£'000	£'000	£'000
<b>Total income tax expense</b>		1,729	1,169	2,356
The total tax charge is lower than the standard rate of corporation tax. The differences are detailed below:				
<b>Profit before tax</b>		5,671	4,129	9,871
Corporation Tax at current rate of 30%		1,701	1,239	2,961
Deferred tax on timing differences		7	(38)	(16)
Expenses not deductible for tax purposes		88	50	114
Exceptional items not deductible for tax purposes		0	172	172
Difference between depreciation and capital allowances for the period		10	8	3
Under provision for previous years		0	0	1
Tax loss on EBT loss/profit		0	3	4
Tax relief on cost of options exercised in year		(77)	(251)	(902)
Tax effect of IFRS transitional arrangements		0	(14)	19
<b>Total UK tax charge</b>		1,729	1,169	2,356

## 5 DISCONTINUED OPERATIONS

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

		6 months to 31/01/08	6 months to 31/01/07	12 months to 31/07/07
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
		£'000	£'000	£'000
<b>DISCONTINUED OPERATIONS</b>				
Revenue		0	135	135
Cost of Sales		0	(117)	(117)
<b>GROSS PROFIT</b>		0	18	18
Administrative expenses		0	(10)	(10)
<b>OPERATING PROFIT</b>		0	8	8
Finance income		0	0	0
Finance cost		0	0	0
<b>PROFIT BEFORE TAX</b>		0	8	8
Income tax expense		0	(3)	(3)
Foreign exchange gain		0	3	3
<b>PROFIT FROM DISCONTINUED OPERATIONS</b>		0	8	8

## 6 DIVIDENDS

Dividends on shares classified as equity		<b>6 months</b>	<b>6 months</b>	<b>12 months</b>
		<b>to 31/01/08</b>	<b>to 31/01/07</b>	<b>to 31/07/07</b>
		<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Paid during the period				
Equity dividends on ordinary shares		2,148	4,414	4,124

## 7 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:

<b>Earnings Per Share</b>		<b>6 months</b>	<b>6 months</b>	<b>12 months</b>
		<b>to 31/01/08</b>	<b>to 31/01/07</b>	<b>to 31/07/07</b>
		<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Profits</b>				
Profit from continuing operations		3,942	2,960	7,515
Profit from discontinued operations		0	67	67
Profit for the period		3,942	3,027	7,582
<b>Number of shares</b>		<b>000's</b>	<b>000's</b>	<b>000's</b>
Weighted average number of ordinary shares in issue		23,070	22,277	22,470
Effect of dilutive potential ordinary shares under option		777	939	556
		23,847	23,216	23,026
<b>Earnings per share</b>		<b>pence</b>	<b>pence</b>	<b>pence</b>
Earnings per share from continuing operations	- Basic	17.09	13.29	33.44
	- Diluted	16.53	12.75	32.64
Earnings per share from discontinued operations	- Basic	0.00	0.30	0.30
	- Diluted	0.00	0.29	0.29
Earnings per share from total operations	- Basic	17.09	13.59	33.74
	- Diluted	16.53	13.04	32.93

Earnings Per Share for the purpose of a performance measure for the LTIPs is calculated excluding the non-recurring items of the sales and profits of the US business sold on 31<sup>st</sup> August 2006 as well as the non-recurring costs of the flotation as calculated below.

<b>Adjusted Earnings Per Share</b>		<b>6 months to 31/01/08</b>	<b>6 months to 31/01/07</b>	<b>12 months to 31/07/07</b>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<b>Profits</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Profit for the period		3,942	3,027	7,582
Costs of Admission to AIM		0	572	572
Profit after tax from discontinued operations		0	(5)	(5)
Profit on sale of discontinued operations		0	(59)	(59)
Profit on ordinary activities after taxation but before non-recurring items		3,942	3,535	8,090
<b>Number of shares</b>		<b>000's</b>	<b>000's</b>	<b>000's</b>
Weighted average number of ordinary shares in issue		23,070	22,277	22,470
Effect of dilutive potential ordinary shares under option		777	939	556
		23,847	23,216	23,026
<b>Earnings per share</b>		<b>pence</b>	<b>pence</b>	<b>Pence</b>
Earnings per share from total operations	- Basic	17.09	15.86	36.00
	- Diluted	16.53	15.23	35.13

## 8 SHARE CAPITAL

		<b>31/01/08</b>	<b>31/01/07</b>	<b>31/07/07</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Authorised share capital				
40,000,000 Ordinary shares of £0.01 each		400	400	400
Allotted, called up and fully paid		<b>31/01/08</b>	<b>31/01/07</b>	<b>31/07/07</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Ordinary shares of £0.01 each		231	225	230

The company issued the following shares in the periods:

	<b>Ordinary shares of £0.01 issued</b>	<b>Share premium received pence per share</b>	<b>Consideration Received</b>
<b>6 months to 31/01/07</b>	<b>£'000</b>		<b>£</b>
27/10/2006	348,254	69.0	243,778
27/11/2006	31,955	365.5	117,115
27/11/2006	31,955	nil	320
22/12/2006	767	nil	8
30/01/2006	736	nil	7
<b>6 months to 31/07/07</b>			

26/02/2006		658	nil	7
30/03/2007		668	nil	7
27/04/2007		573	nil	6
25/05/2007		485	nil	5
01/06/2007		539,140	85.6	466,705
11/06/2007		947	87.6	839
25/06/2007		1,447	nil	14
<b>6 months to 31/01/08</b>				
30/08/2007		436	nil	4
28/09/2007		447	nil	4
26/10/2007		454	nil	5
05/11/2007		70,872	89.0	63,781
30/11/2007		17,131	nil	171

## **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 2008 which comprise the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and notes 1 to 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.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

### **Directors' Responsibilities**

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

As disclosed in note 2, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union. This interim report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" relevant to interim reports.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements.

### **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 2008 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

March 2008