robert walters plc annual report and accounts 2005

ROBERT WALTERS

financial highlights

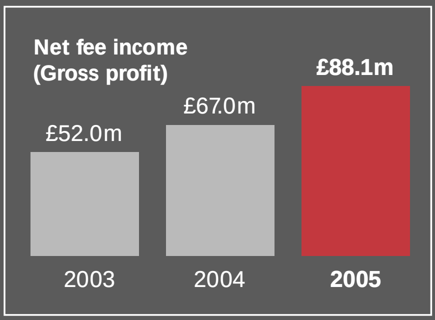
revenue up 25% to £234.5m
2004 £188.2m

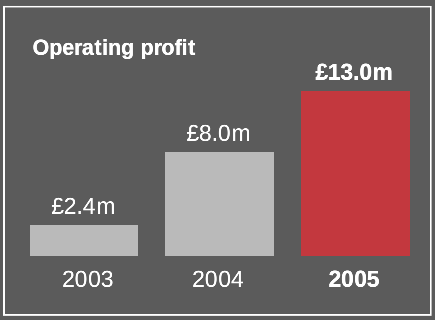
operating profit up 63% to £13.0m
2004 £8.0m

profit before tax up 57% to £12.7m
2004 £8.1m

earnings per share up 66% to 10.6p
2004 6.4p

dividend up to 3.4p
2004 3.15p





contents

our business

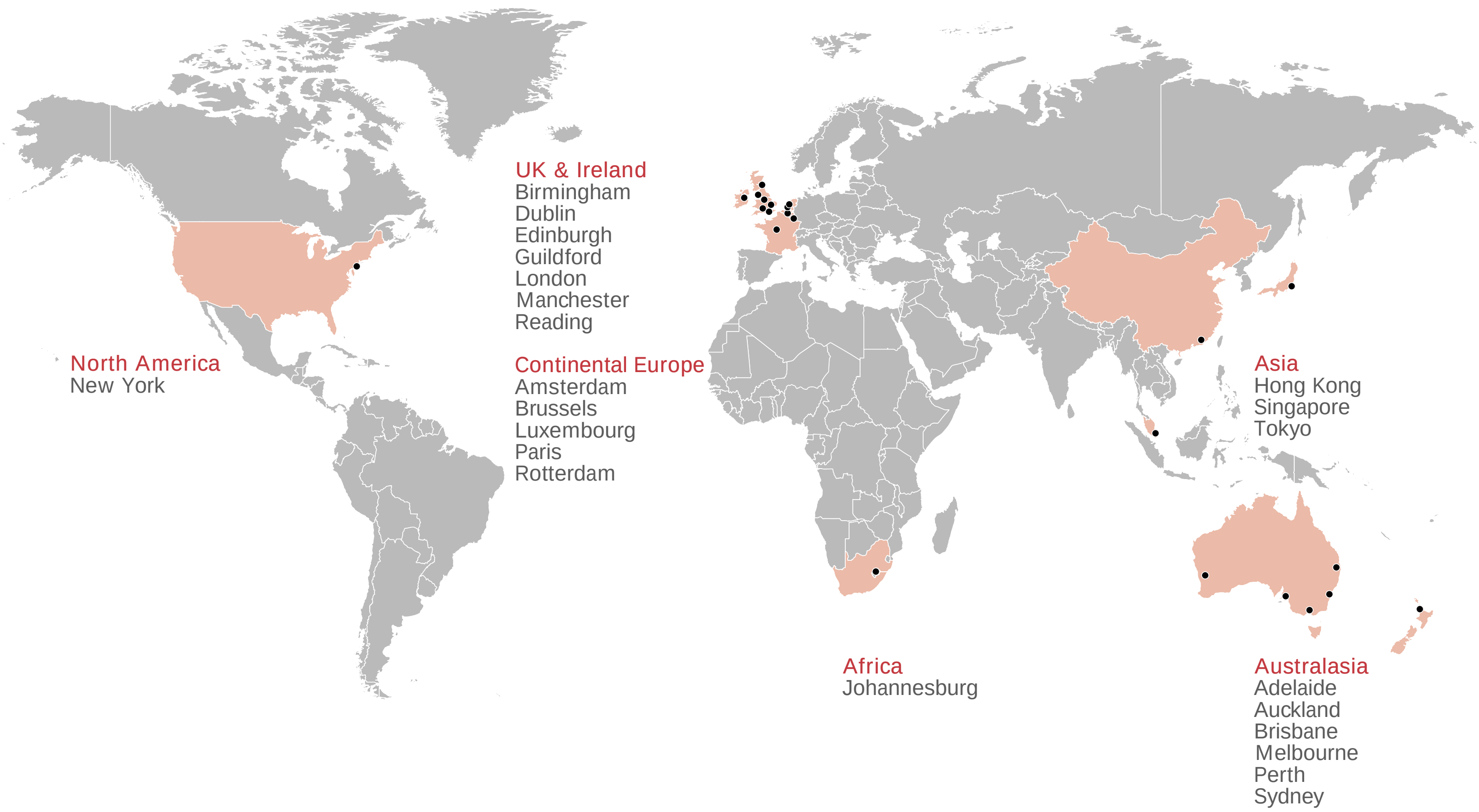
Robert Walters is one of the world's leading professional recruitment consultancies, specialising in the placement of permanent, contract and temporary positions across all levels of seniority.

Established in 1985, the Group recruits across the accounting, finance, banking, IT, human resources, legal, sales and marketing, supply chain and engineering, support and call centre fields.

With international offices spanning five continents, our truly global network enables us to meet the demands of clients and candidates whose needs extend beyond local markets, whilst our strong local foundations provide us with unique insights into local industry and culture.

The Group's recruitment outsourcing and consultancy services business, Resource Solutions, currently operates contracts in Europe, Asia, Australia and the United States.

Robert Walters operates 23 offices in 13 countries:



chairman's and chief executive's statement

We are pleased to report another year of significant growth for the Group in the year to 31 December 2005.

Revenue for the year was £234.5m (2004: £188.2m) producing a 31% increase in gross profit ('net fee income') to £88.1m (2004: £67.0m). Operating profit increased by 63% to £13.0m (2004: £8.0m) while profit before tax rose by 57% to £12.7m (2004: £8.1m).

Today, we have 23 offices spanning 13 countries. Our ability to utilise this global presence to service clients and source professionals has proven invaluable in growing both permanent and contract net fee income levels.

All regions traded strongly, with Continental Europe and Asia Pacific in particular showing substantial growth, reflecting the investment we have made in the past. We believe that both these regions offer outstanding opportunities for future expansion. In Continental Europe, we are in the early stages of rolling out contract finance businesses, whilst in Asia Pacific, we will be opening an office in Kuala Lumpur and are also exploring the opportunities presented by China and India. During the year, we expanded our office network through the opening of new offices in Birmingham and Rotterdam.

We have invested in our headcount across the Group to meet the increased demand for our services, ending the year at 1,071 (2004: 915) with 44% of our recruitment consultants now based in the Asia Pacific region. Despite the growth in headcount we have continued to raise productivity.

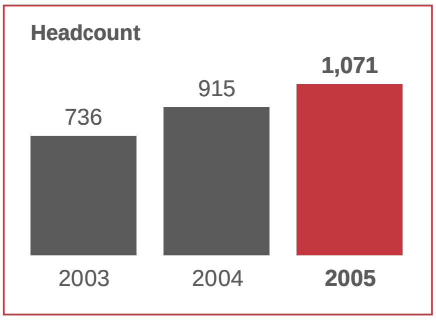
Given the strong trading performance of the Group, the Board is recommending an increase in the final dividend to 2.35p (2004: 2.1p) making a total of 3.4p per share (2004: 3.15p). In future, the Board will recommend the appropriate level of dividend based on the Group's earnings and prospects. In September 2005, as another means of delivering value to shareholders, the Company launched a share buy-back programme. To date, we have purchased 3.6m shares at a cost of £4.8m and an average price of 133p per share. The Group intends to continue this policy.

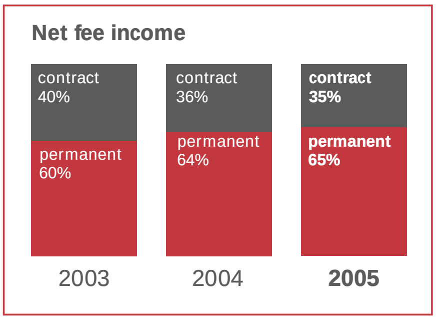
On a personal note, it was with great sadness in December that we announced the death of Graham Luff, a Non-executive Director. From his appointment in September 2001, Graham made a valuable contribution to the Board and his counsel will be sorely missed. The Group is in the process of identifying a new Non-executive Director.

The market continues to be strong and we believe that net fee income for the first quarter of 2006 is set to exceed that of the same period of 2005. The Group remains very well placed to continue to deliver further profitable growth.

TIMOTHY BARKER
Chairman

ROBERT WALTERS
Chief Executive





The Group remains very well placed to continue to deliver further profitable growth.

Robert Walters billboard in Shibuya, Tokyo.

chief operating officer's statement

Overview

Continued business confidence and a shortage of qualified professionals resulted in buoyant market conditions for the recruitment industry. The Group experienced an increased demand for our services which enabled us to expand our business in every location.

Against this positive economic environment, the Group delivered another year of strong growth in fees and profitability.

United Kingdom

Revenue in the UK was £122.1m (2004: £102.3m), net fee income increased by 21% to £38.1m (2004: £31.5m) and operating profit was £1.7m (2004: £2.2m).

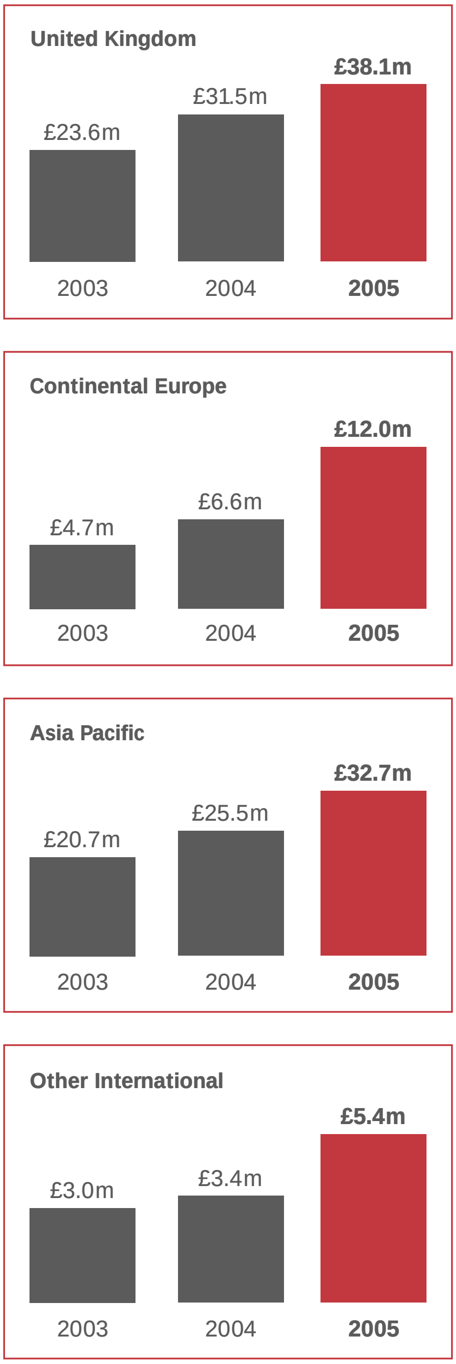
We have invested across both our UK recruitment operation and Resource Solutions, the Group's recruitment process outsourcing business. Within the recruitment business, we brought on stream new offices in Birmingham and Edinburgh and successfully completed the implementation of a new front office recruitment system. Within Resource Solutions, we restructured both the management team and IT systems. The total cost of these initiatives was in excess of £1m and the business is now well placed to take advantage of market opportunities.

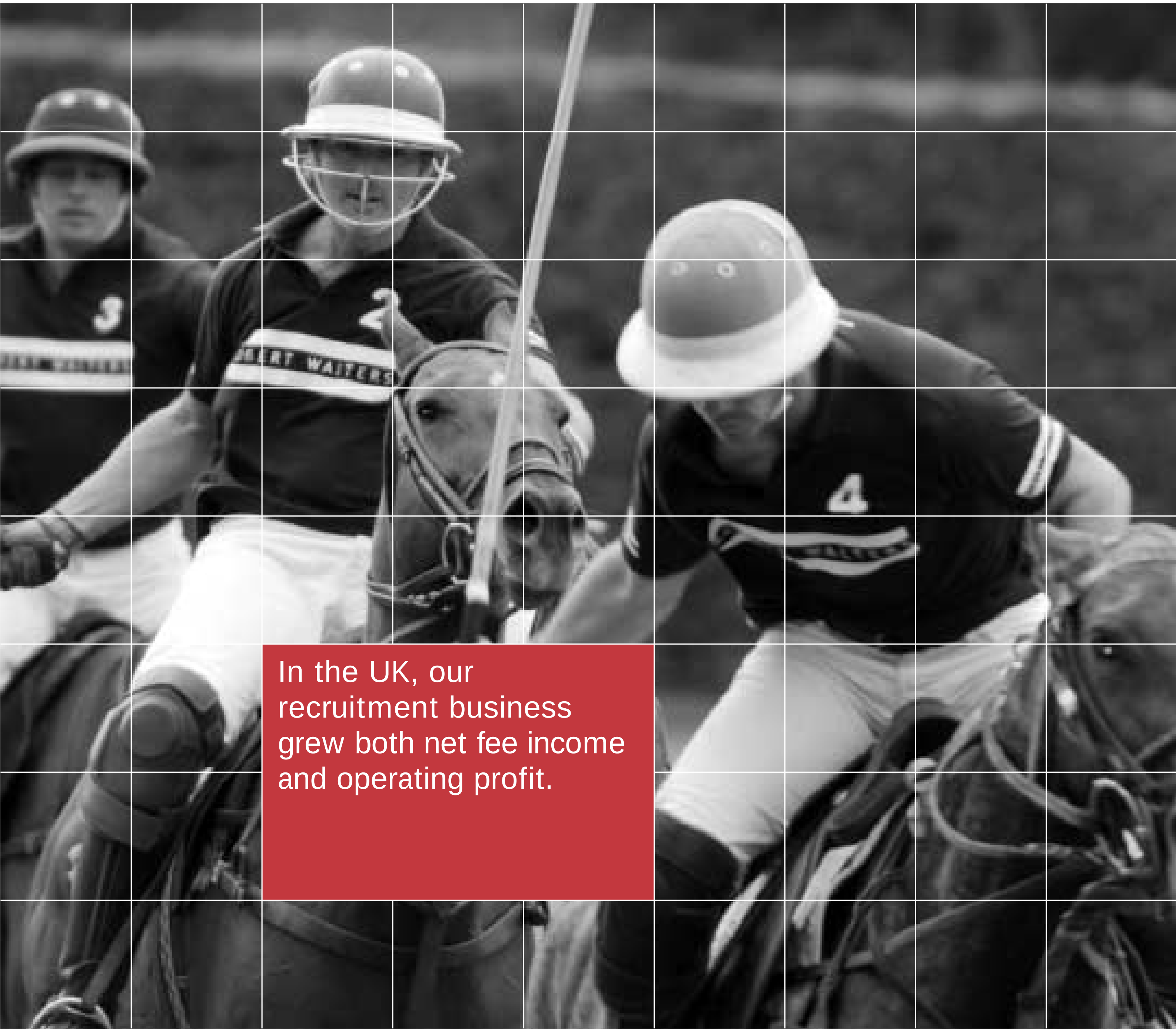
Our recruitment business grew both net fee income and operating profit. Our core discipline, Finance and Accounting, continued to develop with further expansion into the insurance and consumer banking markets.

Our smaller UK recruitment businesses operating within the IT, HR and legal disciplines grew in 2005. The ongoing development of these disciplines will enable the Group to broaden its business base.

The continued shortage of suitably qualified professionals ensured high levels of demand in permanent recruitment. The inability of clients to fulfil their requirements solely through the permanent recruitment channel resulted in an increased demand for temporary contractors. The intelligent use of the Group's global network to find creative solutions to these problems delivered strong growth within both of these areas of our UK business.

Net fee income





In the UK, our recruitment business grew both net fee income and operating profit.

Robert Walters sponsored polo team in action at client entertainment event in Paris.

chief operating officer's statement *continued*

Continental Europe
Revenue was £21.4m (2004: £11.9m), net fee income increased 82% to £12.0m (2004: £6.6m) resulting in a substantially increased operating profit of £2.2m (2004: £0.4m).

There was strong growth in net fee income from the Netherlands, Belgium and France, with the latter more than doubling net fee income. Robert Walters France has now become one of the leading senior financial recruitment companies in its market. Our niche business in Luxembourg had a good year servicing the country's highly specialised financial services community. During the year we also extended our office network with the opening of an office in Rotterdam.

Our core operations in Amsterdam, Brussels and Paris are in the early stages of rolling out a contract finance business and we believe this presents an outstanding opportunity for future growth.

Asia Pacific
Revenue increased to £84.3m (2004: £70.0m), net fee income by 28% to £32.7m (2004: £25.5m) and operating profit by 66% to £8.8m (2004: £5.3m).

The Asia Pacific region comprises our operations in Australia, New Zealand, Hong Kong, Japan and Singapore. This is our most profitable regional market, employing 44% of the Group's recruitment consultants.

Our Australian and New Zealand businesses had an excellent year and are well poised to continue growing. We are now clearly established as a leading professional recruitment firm in Tokyo and this operation continues to deliver high levels of profitability and growth. Our business in Hong Kong performed strongly and also benefited from increased activity from China, where we are investigating the possibility of an office opening.

Singapore had yet another excellent year growing fees and profitability and we will be opening an office in Kuala Lumpur to further build our presence in the region.

Other International
Other International comprises the United States, Ireland and South Africa. Revenue was £6.7m (2004: £4.1m), net fee income increased by 59% to £5.4m (2004: £3.4m) resulting in an operating profit of £0.3m (2004: £0.1m).

Net fee income increased in each of these operations. Our Dublin office performed strongly moving into profit in 2005 and we will be increasing office space in 2006 to underpin its continued growth. Our additional investment in New York and the changes made in Johannesburg are beginning to deliver results.

General overview
Our markets remain buoyant and this, coupled with our ability to expand and develop our business in both new and existing markets, places the Group in an excellent position to deliver further profit growth.

GILES DAUBENEY
Chief Operating Officer

The Asia Pacific region comprises our operations in Australia, New Zealand, Hong Kong, Japan and Singapore. This is our most profitable regional market, employing 44% of the Group's recruitment consultants.

Robert Walters launches sponsorship deal with North Bondi Surf Life Saving Club in Sydney.

operations and financial review

Principal activities and objectives
The Group's principal activity comprises the provision of professional recruitment services on a permanent and contract basis in the United Kingdom, Europe, Asia Pacific, the United States and South Africa, to clients in the financial, commercial and industrial sectors. The Group's activities also include recruitment process outsourcing services.

The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in note 11 to the accounts.

The Group's primary objective is to become one of the world's leading professional recruitment consultancies. The Group plans to achieve this through profitable expansion into both new geographical areas and professional disciplines. Critical success factors are considered to be an increase in the size and calibre of the management team as well as the continued development of the brand, particularly through the delivery of high quality service to both clients and candidates.

Future outlook
The Board remains optimistic with regard to the likelihood of a continued shortage in the employment market for professionally qualified candidates with appropriate skill-sets. Consequently, the Board considers that the Group is well positioned to continue the growth in both productivity and profitability that has been achieved over the last three years. Given the improvements during the year in both the strength and breadth of the management resources, the Board also believes that the Group is well positioned to continue its growth of market share relative to its main competitors.

Risks and uncertainties
The Board considers the full range of business risks affecting the Group on a regular basis, and takes action to address such risks. The perceived key risks are detailed below:

Employment market
Job availability and the level of candidates' confidence in the employment market are important factors in determining the total number of recruitment transactions in a given year. Historically, candidates have been less inclined to move jobs when the number of jobs available is stagnant or is in decline. Thus there is a risk that a decline or stagnation of the specialist employment markets in territories where the Group operates will result in a negative impact on the Group's financial performance.

There is generally limited visibility in respect of a slowdown in rates of recruitment and the Board's strategy when facing a slowdown in a particular market is to balance the cost base, such that the impact on profit is mitigated, against the perceived future opportunity benefit from the retention of key staff. During the past three years, the Group has benefited substantially from increased operational gearing as a result of its policy of deliberately retaining key staff through the general slowdown experienced during 2001 and 2002.

Employment law
The Group places a significant number of candidates on short term employment contracts. Any future employment legislation which has the effect of restricting the flexibility of movement of employees could have a detrimental effect on the Group's financial performance.

Staff retention
The Group's profitability in discrete operating units has a high correlation to the retention of efficient and effective members of staff.

As a part of a wider strategy to improve levels of staff retention, in particular of senior Group employees, the long term incentive schemes that are detailed in note 18 to the accounts have been approved by the members and subsequently implemented.

Other elements of the strategy to improve levels of staff retention include significant investment of time and financial resources in employee training and development.

Revenue
Revenue for the Group is the total income from the placement of permanent and contract staff and therefore includes the remuneration costs of contract candidates and the total cost of advertising recharged to clients. It also includes outsourcing fees, consultancy fees and the net income derived from payrolling contracts charged by Resource Solutions to its clients.

Revenue increased 25% to £234.5m (2004: £188.2m) with 54.6% (2004: 56.3%) of the annual total being generated in the second half of the year.

Net fee income (gross profit)
Net fee income is the total placement fees of permanent candidates, the margin earned on the placement of contract candidates and the income from advertising. It also includes the outsourcing, consultancy and payrolling margins earned by Resource Solutions.

Net fee income for the year increased by 31% to £88.1m (2004: £67.0m). Net fee income was £47.1m in the second half compared to £41.0m in the first half (2004: 1H £30.7m, 2H £36.3m).

The increase in net fee income was primarily due to the uplift in the Robert Walters permanent business as well as a general improvement in the contract market.

Operating profit
Administrative expenses were £75.1m (2004: £59.0m). The principal reason for this increase was the growth in the Group's average headcount from 846 during 2004 to 1,025 in 2005, coupled with higher bonus payments as a result of the improved profitability of the Group.

The Group continues to focus heavily on consultant productivity and has again succeeded in improving the average level of net fee income per consultant, even though a considerable number of consultants were hired during the year. The increase in net fee income exceeded the increase in the cost base resulting in growth in the Group's operating profit to £13.0m (2004: £8.0m).

Net operating profit margin has increased to 14.9% (2004: 11.9%) due to an improvement in transactional productivity per consultant, as well as an improvement in the fee margins achieved in both the permanent and contract businesses.

Interest and financing costs
The Group incurred a net interest charge for the year of £0.1m (2004: interest received, £0.3m). The charge reflects the greater working capital requirements of the Group due to growth in revenues, and in particular, the increased number of contractors placed with clients during the year. Additionally, the Group arranged and drew down a long term loan of £5m during the year in order to finance a share buy-back programme. The loan is denominated in Japanese Yen and attracts a fixed annual interest rate of 1.78% over the next three years; more details are provided in note 14 to the accounts.

A foreign exchange loss of £0.2m was incurred during the year on translation of the Group's intercompany trading accounts (2004: £0.1m).

operations and financial review
continued

Taxation
The tax charge in 2005 was £4.6m (2004: £3.2m) which gives an effective rate of 36.0% (2004: 38.9%).

As in 2004 the tax rate is higher that the standard UK rate of taxation mainly due to disallowable items and profits generated in high tax jurisdictions.

Earnings per share
Basic earnings per share were 10.6p (2004: 6.4p) and the weighted average number of shares for the year was 76.4m (2004: 78.0m). The reduction in the weighted average number of shares was largely due to the purchase of 3.6m shares during the year as part of the implementation of a share buy-back programme.

Dividend and dividend policy
The Group's policy is that the dividend should increase annually in excess of Retail Price Inflation, subject to satisfactory trading performance. In line with this policy, a final dividend of 2.35p (2004: 2.1p) per ordinary share is being proposed by the Board. Together with the interim dividend of 1.05p (2004: 1.05p) per ordinary share paid in October 2005, the total dividend would amount to 3.4p (2004: 3.15p) per ordinary share. The final dividend, which amounts to £1.7m, will be paid on 26 May 2006 to those shareholders on the register as at 5 May 2006.

Balance sheet
The Group had net assets of £33.9m at 31 December 2005 (2004: £32.1m) including goodwill of £6.8m (2004: £6.8m). The increase in the Group net assets of £1.8m is mostly accounted for by the retained profit for the year of £5.7m offset by the purchase of £4.8m of the Company's own shares which remain held in treasury.

Cash flow and net cash position
At 31 December 2005, the Group had cash balances of £13.6m (2004: £9.7m). Cash inflow from operating activities was £13.4m (2004: £11.1m).

The significant payments made from operational cash flow were £4.0m of taxation, £2.4m of dividends, £3.0m of capital expenditure and £4.8m for the acquisition of the Company's own shares.

Surplus cash balances are generally invested with financial institutions with favourable credit ratings that offer competitive rates of return. The Group also has an agreed £10.0m overdraft facility available which is due for renewal in November 2006 and a £4.5m outstanding loan which is repayable in quarterly instalments over a three year period.

ROBERT WALTERS
Chief Executive

IAN NASH
Group Finance Director

directors and advisors

Timothy Barker, aged 65
Chairman
Timothy Barker was a Vice Chairman of Dresdner Kleinwort Benson, the investment banking division of Dresdner Bank A.G. from 1998 to 2000, having been Vice Chairman of Kleinwort Benson Group plc from 1993 to 1998 and previously Deputy Chief Executive and Head of Corporate Finance. In 1984 and 1985 he was Director General of the Panel on Take-overs and Mergers. He is a Non-executive Director of Drax Group plc and Electrocomponents plc. He was appointed to the Board of Robert Walters plc in July 2000, and Chairman in September 2001.

Robert Walters, aged 51
Chief Executive
After graduating with a degree in economics in 1975, Robert joined Touche Ross. In 1978 he joined Michael Page International plc, initially working in their commerce division, and subsequently setting up and running their public practice unit. In 1982 he set up and managed their New York office. He resigned in 1984 and founded the business of Robert Walters in 1985.

Giles Daubeney, aged 44
Chief Operating Officer
After working in recruitment for Accountancy Selection Limited and Badenoch & Clark Limited, Giles joined the Group in 1988. From 1990 to 1994 he was based in Amsterdam and was responsible for the Dutch and Belgian operations. Giles was appointed to the role of Chief Operating Officer in 1999, and was appointed to the Board of Robert Walters plc in July 2000.

Ian Nash, aged 50
Group Finance Director and Company Secretary
After qualifying as a chartered accountant with Deloitte Haskins and Sells, Ian joined Michael Page International plc in 1986 as Financial Controller and in 1988 was appointed Group Finance Director. Ian was appointed to the Board of Robert Walters plc in September 2001.

Philip Aiken, aged 57
Non-executive Director
After graduating as a chemical engineer in 1970, Philip worked for BOC plc and BTR plc in both Australia and the UK before joining BHP in May 1997. He was appointed head of BHP Petroleum in 1997, the position he currently holds as Group President Energy, BHP Billiton. He was appointed to the Board of Robert Walters plc in July 2000, and appointed Senior Independent Non-executive Director in March 2004.

Russell Tenzer, aged 49
Non-executive Director
Russell qualified as a chartered accountant in 1979 before joining KPMG. In 1981 he joined N.M.Rothschild Limited. In 1983 he became a founding partner of Hazlems Fenton Chartered Accountants. Russell was appointed to the Board of the Robert Walters Group in October 1989, and was appointed to the Board of Robert Walters plc in July 2000.

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Registered number
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Solicitors
Dechert
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London EC4Y 1LT

Stockbrokers
Investec
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London EC2V 7QP

Principal bankers
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1 Churchill Place
Canary Wharf
London E14 5HP

Registrars
Capita IRG
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

report of the directors

AS AT 31 DECEMBER 2005

The Directors present their review of the affairs of the Group and Company, together with the audited accounts for the year ended 31 December 2005.

Business review

A review of the Group's business and future developments is set out in the Operations and Financial Review.

Results and dividends

The Group's audited accounts for the year ended 31 December 2005 are set out on pages 25 to 51 and the Company's audited accounts are set out on pages 54 to 59. The Group's profit after taxation for the year ended 31 December 2005 was £8.1m (2004: £5.0m).

The Directors recommend a final dividend of 2.35p (2004: 2.1p) per ordinary share to be paid on 26 May 2006, to ordinary shareholders on the register on 5 May 2006 which together with the interim dividend of 1.05p paid on 28 October 2005 makes a total of 3.4p for the year (2004: 3.15p).

The Group's retained profit for the year of £5.7m (2004: £2.5m) will be transferred to reserves.

Acquisition of Company's own shares

Further to the Shareholders' resolution of 4 May 2005 and in order to enhance earnings per share, the Company purchased 3,600,000 ordinary shares from the market with a nominal share capital of £720,000 for a consideration of £4,786,000, representing 4.2% of the Company's called-up ordinary share capital. All of these shares remain held in treasury.

Directors

The Directors who served during the year and at the date of this report are shown as follows:

Timothy G Barker*
Robert C Walters
Giles P Daubeney
Ian V Nash
Philip S Aiken*
Russell P Tenzer*

*Non-executive Directors

As referred to in the Chairman's and Chief Executive's statement, Graham Luff, a Non-executive Director, died on 11 December 2005.

All Directors are subject to re-election every three years. Robert Walters, Ian Nash and Timothy Barker retire by rotation at the next Annual General Meeting and being eligible, offer themselves for re-election.

Details of the Directors' service contracts are shown in the report of the Remuneration Committee on page 17.

Details of share options granted to Directors and the interests of the Directors in the ordinary shares of the Company are shown on pages 20 and 21.

Substantial shareholdings

On 24 February 2006 the Company had been notified that there were holdings of 3% or more in the ordinary share capital of the Company as follows:

NAME OF SHAREHOLDER	HOLDING	% HOLDING
Unicorn Asset Management	11,425,863	13.48
Aegon Asset Management	9,362,217	11.05
Robert Walters EBT	7,440,797	8.78
JO Hambro Capital Management	5,465,175	6.45
Capital Group	5,095,600	6.01
Directors	3,969,468	4.68
Held in Treasury	3,771,221	4.45
Baillie Gifford	3,738,314	4.41
Henderson Global Investors	3,314,865	3.91
Legal & General Investment Management	3,297,762	3.89
Old Mutual Asset Managers	3,010,000	3.55
CIC Securities Tready	2,584,425	3.05
Majedie Asset Management	2,569,200	3.03

Corporate Social Responsibility
The Board recognises its responsibilities in respect of social, environmental and ethical (SEE) matters. The Board monitors all significant risks to the Group, including SEE risks, which may impact the Group's short and long term value. During 2005, no significant SEE risks were identified.

(i) Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

(ii) Equal opportunity
The Group endorses and supports the principles of equal employment opportunities. It is the policy of the Group to provide equal employment opportunities to all appropriately qualified individuals, and to ensure that all employment decisions are made, subject to legal obligations, on a non-discriminatory basis.

(iii) Health and Safety
The Chief Executive Officer has overall responsibility for the implementation of the Group's Health and Safety policy, with specific operational responsibility delegated to managers at each location. Every effort is made to ensure that the Health and Safety at Work Act 1974, the European Community Directives on Health and Safety and the Australian Occupational Health and Safety Acts are complied with at all times.

(iv) Environment
The Group does not operate in a business sector which causes significant pollution; however, the Board recognises that the business does have an impact on the environment. The Group seeks to reduce the level of environmental impact by taking steps that it considers appropriate, such as the encouragement of reuse and recycling of waste materials, and the reduction of energy consumption.

(v) Employee involvement
The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings as well as a regular internal memorandum for all employees and the use of the Group's intranet.

The Directors consider that the ability of employees to participate in the share ownership of the Company is vital for the success of the Group.

The Group currently operates a number of share incentive schemes and details are included in note 18 to the accounts.

(vi) Political and charitable donations
The Group made charitable donations of £21,000 (2004: £8,000) during the year. The Group made no political donations during the year (2004: £nil).

(vii) Supplier payment policy
Companies in the Group agree standard terms of payment with their major suppliers at the commencement of business. Suppliers fulfilling the conditions of supply are normally paid in accordance with the agreed standard terms. Other suppliers will be paid in accordance with contractual terms as agreed from time to time.

Creditor days for the Group at 31 December 2005 were equivalent to 27 days (2004: 37 days) based on the average daily amount invoiced by suppliers during the year.

The Company has no trade creditors as at 31 December 2005 (2004: £nil).

Re-appointment of Auditors
A resolution to re-appoint Deloitte & Touche LLP as the Company's Auditors will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The Annual General Meeting will be held on 5 May 2006 and the notice of the Annual General Meeting, including an explanation of the special business of the meeting, will be sent out in due course.

On behalf of the Board

IAN NASH
Company Secretary
25 February 2006

corporate governance statement

Statement of compliance with the Combined Code
The Company has complied throughout the year ended 31 December 2005 with the principles of good governance ('Principles') and the Code of Best Practice known as the July 2003 FRC Combined Code, and which is annexed to the Listing Rules of the Financial Services Authority, except that following the death of Graham Luff in December, the number of Non-executive Directors no longer represented more than half of the Board.

Further explanation of how the Principles have been applied is set out below and, in connection with Directors' remuneration, in the report of the Remuneration Committee.

The Group's approach to corporate governance
The Group has a policy of seeking to comply with established best practice in the field of corporate governance. In addition, one of the core values communicated within the Group is a belief that the highest standard of integrity is essential in business. The Group has an express aim of respecting the needs of shareholders, employees, clients, candidates and contractors.

Board effectiveness
The Board considers that it has shown its commitment to leading and controlling the Group by:

– having a Board constitution which details the Board's responsibility to shareholders for the management of the Group's affairs. It exercises direction and supervision of the Group's operations throughout the world and defines the line of responsibility from the Board to the Chief Executive and the Executive Directors in whom responsibility for the executive management of the business is vested;

– the Board retaining specific responsibility for agreeing the strategic direction of the Group, the approval of accounts, business plan, budget and capital expenditure, the review of operating results, the effectiveness of governance practice and risk management, and also the appointment of senior executives and succession planning;

– the provision of appropriate training to all new Directors at the time of appointment to the Board, and by ensuring that existing Directors receive such training as to be equipped with the skills required to fulfil their roles;

– a high level of attendance by the Directors at the eight Board meetings held during the year. There were four apologies by Graham Luff after the onset of his illness during the year, two apologies by Philip Aiken and one apology by Giles Daubeney; and

– delegating responsibilities to sub-committees: Audit Committee; Remuneration Committee; and Nomination Committee.

Division of responsibilities between Chairman and Chief Executive
The Board has shown its commitment to dividing responsibilities for the Board and running the Company's business by:

– appointing Timothy Barker as Non-executive Chairman;

– appointing Robert Walters as Chief Executive; and

– clearly defining in writing the respective responsibilities of the Chairman and the Chief Executive.

Board balance
The Group's commitment to achieving a balance of Executive and Non-executive Directors is shown by:

– the Non-executive Directors comprising (until Graham Luff's death) more than half of the Board of seven Directors;

– the Non-executive Directors being considered to act independently of management and free from any business relationship that could materially interfere with the exercise of their independent judgement; and

– Timothy Barker and Philip Aiken being considered to be free from any other relationship which could materially interfere with the exercise of their independent judgement.

Russell Tenzer has been a Non-executive Director within the Robert Walters Group since 1989 and as a result, the Board considers that Russell does have a long-standing relationship with two of the Executive Directors.

The Board has formally considered this relationship and has concluded that the exercise of his independent judgement since his appointment to the Board of Robert Walters plc in July 2000 has not been affected.

Transparency of Board appointments
The Nomination Committee is responsible for nominating candidates to fill Board vacancies and for making recommendations on Board composition and balance. The members of the Committee are the Non-executive Directors – Timothy Barker (Chairman), Philip Aiken and Russell Tenzer. The Nomination Committee met once during the year and all members were in attendance.

The Nomination Committee has written terms of reference which are available on request. The procedure for appointments to the Board includes the requirement to specify the nature of the position in writing and to ensure that appointees have sufficient time available to meet the demands of the position. The terms of the contracts for the Non-executive Directors are available upon request.

Regular re-election of Directors
As disclosed in the Directors' Report, all Directors are subject to re-election every three years as required by the provisions of the Code of Best Practice. Prior to re-nomination, the Nomination Committee will conduct an assessment of the performance of each retiring Director. The Board will not approve such a re-nomination if the performance of the retiring Director is not considered satisfactory.

Timeliness and quality of Board information
The Board has sought to ensure that Directors are properly briefed on issues arising at Board meetings by establishing procedures for:

– distributing Board papers in advance of meetings and considering the adequacy of the information provided before making decisions;

– adjourning meetings or deferring decisions when Directors have concerns about the information available to them; and

– making the Company Secretary responsible to the Board for the timeliness and quality of information.

Performance evaluation
The annual performance appraisal of the Board and its Committees is considered by the Board to meet the requirements of the Combined Code. A detailed questionnaire was completed by each Director and individual discussions took place between the Chairman and each of the Directors and, in the case of the Chairman, with the Senior Independent Non-executive Director. Subsequently, there was a full Board discussion of the matters that were raised and a process to ensure that the decisions taken were appropriately implemented. This process did not identify any material issues that needed to be addressed.

Dialogue with institutional shareholders
The Directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders by:

– making annual and interim presentations to institutional investors;

– meeting shareholders to discuss long term issues and obtain their views;

– communicating regularly throughout the year; and

– regular meetings of the Board being used as the forum to ensure that Non-executive Directors are updated on the views of major shareholders that have been communicated to the Executive Directors.

Senior Independent Director
The Board has appointed Philip Aiken as the Senior Independent Director. Philip Aiken is available to shareholders who have concerns that cannot be addressed through the Chairman or Chief Executive.

Constructive use of Annual General Meeting
The Board seeks to use the Annual General Meeting to communicate with private investors and encourage their participation by:

– inviting shareholders to submit questions in advance; and

– providing a balanced and understandable assessment of the Group's position and prospects.

Internal control
The Board is responsible for the effectiveness of the Group's system of internal control. A review has been completed by the Board for the year ended 31 December 2005 in accordance with the recommendations of the Turnbull Report. The Group's system of internal control is designed to safeguard the Group's assets and to ensure the reliability of information used within the business and for publication. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The full Board meets regularly and has a schedule of matters which are required to be brought to it or its duly authorised Committees for decision, aimed at maintaining full and effective control over appropriate strategic, financial, operational and compliance issues on an ongoing basis.

The Board has put in place an organisational structure with clearly defined responsibilities and delegation of authority. The Board constitution clearly sets out those matters for which the Board is required to give its approval.

report of the audit committee

The Audit Committee met twice during the year with the Group's Chief Executive and senior financial management and external Auditors to review the interim and annual financial statements, the accounting policies of the Group, its internal financial control procedures and compliance with accounting standards, business risk, legal requirements and the requirements of the UK Listing Authority. The members of the Audit Committee are Russell Tenzer (acting Chairman) and Philip Aiken, both of whom are Non-executive Directors. Both meetings were attended by all members other than the former chairman, Graham Luff, due to the onset of his illness. The third meeting of the year, which was scheduled for December, was postponed and took place in January 2006.

A process has been in existence throughout the period that this report relates to in order to assess the risks within the business and to report and monitor such risks. The Audit Committee regularly receives reports identifying key internal controls and also risk reports from the business. The Audit Committee then evaluates the effectiveness of those controls and the management of key risks within the Group.

The Audit Committee regularly reviews the need for a dedicated internal audit function. However, at present the Audit Committee has determined that given the size and nature of the Group's operations a separate internal audit function is not required. This decision will be regularly reviewed in the future. The Board seeks to improve the robustness of internal checks and balances on an ongoing basis within the Group and to implement controls and processes to address areas of potential improvement that come to the attention of the Board. Further, the Group's Auditors are engaged to perform additional work in relation to those of the Group's activities which the Audit Committee judges it would be beneficial for them to do so.

The Audit Committee discharges its responsibility in respect of the annual financial statements by: reviewing the terms of the scope of the external audit in advance of the audit; and subsequently evaluating the findings of the external audit as presented to the Audit Committee by the external Auditors prior to the approval of the annual financial statements.

The Audit Committee recognises the importance of ensuring the independence and objectivity of the Company's Auditors and reviews the service provided by the Auditors, the level of their fees and that element comprising non-audit fees. The Audit Committee meets with the Auditors at least once a year without management being present.

The Audit Committee also reviews the arrangements by which staff may raise concerns of a confidential nature, relating to potential improprieties or otherwise. The Audit Committee considers that the nomination of Philip Aiken (previously Graham Luff) as a point of contact for raising any such matter is an appropriate measure and the procedure for raising such concerns is detailed on the Group's intranet.

Appropriate Audit Committee responsibilities and relationships with Auditors

The Board has delegated responsibility to the Audit Committee for making recommendations on the appointment, evaluation and dismissal of external Auditors. The Audit Committee reviews its terms of reference on an annual basis, and has adopted a policy with respect to the provision of non-audit services provided to the Group by the external Auditors that complies with the requirements of the Combined Code.

The terms of reference of the Audit Committee are available upon request.

Approved

This report was approved by the Board of Directors on 25 February 2006 and signed on its behalf by:

RUSSELL TENZER
Director
25 February 2006

report of the remuneration committee

Introduction
This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance relating to Directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company.

The Regulations require the Auditors to report to the Company's shareholders on the 'auditable part' of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 as amended by the Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information
Remuneration Committee
The Remuneration Committee is composed of the three Non-executive Directors, Philip Aiken (Chairman), Timothy Barker and Russell Tenzer. The Remuneration Committee met four times during the year and all members (other than Graham Luff after the onset of his illness) were in attendance.

The purpose of the Committee is to consider all aspects of Executive Directors' remuneration and to determine the specific remuneration packages of the Executive Directors including bonus schemes, pensions contributions and other benefits. The Committee ensures that the remuneration packages are competitive within the recruitment industry and reflect both Group and personal performance during the year, and have regard to the broader levels of remuneration within the Group itself. The Committee meets when required to consider all aspects of Executive Directors' remuneration. Independent external advice on the introduction of a share incentive scheme was obtained from Kepler Associates Limited during the year. The fees paid to Kepler Associates Limited during the year in respect of this independent advice were £18,300. There were no other connections between any of the Directors and Kepler Associates Limited other than the provision of advice to the Remuneration Committee during the year, as detailed above. The terms of reference of the Remuneration Committee are available upon request.

Statement of remuneration policy
Executive Directors
The Company's executive remuneration policy is to provide market-competitive total remuneration packages enabling the Company to recruit and retain high-calibre individuals required to drive the future growth and performance of its business.

Salary
The basic salary of each Director is determined by the Remuneration Committee taking into account the performance of the individual and information from independent sources on the rates of salary for similar jobs in comparable companies.

Annual bonus
Each of the Executive Directors is entitled to participate in an annual executive bonus plan of up to 100% of salary. Under the bonus plan, the Executive Directors' bonuses are dependent upon the achievement of financial targets and individual key performance indicators. The majority of the bonus is linked to the financial performance of the Group.

Pensions and other benefits
In addition to the basic remuneration payable under the service agreements, each of the Executive Directors is entitled to a pension provision and a range of other benefits, including permanent health insurance, private medical insurance, car allowance and mortgage subsidy. All benefits are subject to annual review.

CONTRACTS OF SERVICE	DATE OF CONTRACT	DATE OF RE-ELECTION
Executive Directors		
R C Walters	19 June 2000	May 2006
G P Daubeney	19 June 2000	May 2008
I V Nash	19 September 2001	May 2006
Non-executive Directors		
T G Barker	16 June 2000	May 2006
R P Tenzer	16 June 2000	May 2007
P S Aiken	16 June 2000	May 2007

report of the remuneration committee
continued

Share options
Directors and senior employees are incentivised by the grant of share options under an Executive Share Option Scheme adopted on Admission in 2000. This scheme is administered by the Remuneration Committee and is open to employees and Directors of the Company and its subsidiaries, who are not within two years of their contractual retirement age. The share options are only exercisable between three and ten years from the date of grant and only to the extent that earnings per share targets have been satisfied over a period of three, four or five years. No awards were granted to the executive directors under ESOS in 2005 and the scheme expired in July 2005.

In order to ensure the continued motivation and retention of key employees, the Company adopted a one-off option-based scheme in December 2005 to enable option awards to be made to key employees, with vesting of such options dependent on three-year EPS targets in line with those specified under ESOS, albeit with testing of the performance condition only after three years (i.e. no re-test in years four and five). No shares will be issued to cover awards granted in December 2005. No executive director received awards under this one-off scheme.

The Remuneration Committee is currently reviewing the structure of the long-term incentive arrangements for the Company and expects to introduce its proposals to shareholders in 2006.

Performance Share Plan
A long term incentive plan for Executive Directors and senior employees was approved at the 2003 Annual General Meeting of the Company. This scheme is administered by the Remuneration Committee and is open to employees and the Executive Directors of the Company and its subsidiaries, who are not within six months of their contractual retirement age.

The Performance Share Plan permits the award of both conditional shares and co-investment shares. Awards vest after three years, subject to meeting targets based on total shareholder return over the three-year period, and in the case of co-investment shares, to the extent that the individual has met the requirements to invest in shares in the Company during the vesting period.

Executive Directors
The service contracts for each of the Executive Directors are subject to review annually. These service contracts are terminable by either party giving up to 12 months written notice at any time and there are no specific provisions relating to any payments for early termination of office.

None of the Executive Directors currently hold significant Non-executive positions and it is expected that the Executive Directors would seek approval from the Board prior to the acceptance of any such positions in companies outside the Group.

Non-executive Directors
The remuneration of the Non-executive Directors is determined by the Board as a whole, based on outside advice and review of current practices in other companies. Their contracts are terminable by either party giving not less than three months' written notice at any time.

Performance graph
The following graph shows the Company's performance compared with the performance of the FTSE Small Cap Index, of which Robert Walters plc is a part, measured by total shareholder return ('TSR').

TSR is calculated by Datastream as the growth or fall in value of a shareholding from the date of initial investment over time, with the assumption that dividends are re-invested to purchase additional shares in the Company.

Audited information

Directors' remuneration, interests and transactions

	2005 £'000	2004 £'000
Aggregate remuneration		
The total amount of Directors' remuneration and other benefits was as follows:		
Emoluments	2,281	2,179
Group contributions to money purchase schemes	27	27
	2,308	2,206
Fees paid to third parties in respect of Director's services	29	28

Fees paid to third parties comprise amounts paid to Hazlems Fenton, Chartered Accountants, under an agreement to provide the Group with the services of Russell Tenzer.

	2005 £'000				2004 £'000			
EMOLUMENTS	FEES/ BASIC SALARY	BONUS	TAXABLE BENEFITS	TOTAL	FEES/ BASIC SALARY	BONUS	TAXABLE BENEFITS	TOTAL
Executive								
R C Walters	399	399	60	**858**	380	380	60	820
G P Daubeney	333	333	47	**713**	317	317	47	681
I V Nash	273	273	28	**574**	260	260	28	548
Non-executive								
T G Barker	49	–	–	**49**	46	–	–	46
P S Aiken	29	–	–	**29**	28	–	–	28
G E Luff	29	–	–	**29**	28	–	–	28
R P Tenzer	29	–	–	**29**	28	–	–	28
	1,141	**1,005**	**135**	**2,281**	1,087	957	135	2,179

Annual bonuses are determined by the Remuneration Committee.

There is no arrangement under which any Director has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments during the financial year ended 31 December 2005.

The nature of the taxable benefits comprises: mortgage allowance; car allowance; health club membership; and medical aid.

report of the remuneration committee
continued

Share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors under the Company's Executive Share Option Scheme. Details of the options are as follows:

	OPTIONS GRANTED AT 1 JANUARY 2005 AND 31 DECEMBER 2005	PRICE GRANTED (PENCE)	PERIOD OF EXERCISE
R C Walters:			
– IPO Options – Super	2,263,250	170	(a)
– Executive Options	500,000	82	(b)
– Executive Options	300,000	56	(c)
– Executive Options	300,000	103	(d)
	3,363,250		
G P Daubeney:			
– IPO Options – Super	617,250	170	(a)
– Executive Options	500,000	82	(b)
– Executive Options	250,000	56	(c)
– Executive Options	250,000	103	(d)
	1,617,250		
I V Nash:			
– Executive Options	600,000	82	(b)
– Executive Options	200,000	56	(c)
– Executive Options	200,000	103	(d)
	1,000,000		
	5,980,500		

The above share options are exercisable between:

(a) July 2005 and June 2010
(b) September 2004 and August 2011
(c) May 2006 and April 2013
(d) June 2007 and May 2014

The performance criteria of the options are detailed in note 18 to the accounts.

The market price of the ordinary shares at 31 December 2005 was 146.5p per share (2004: 105.5p per share) and the range during the year was 98.5p to 147p per share.

Performance Share Plan

There are currently 19 senior executives who participate in the Performance Share Plan (PSP). The maximum number of shares receivable by Executive Directors is as follows:

	DATE OF GRANT	SHARE AWARDS	CO-INVESTMENT AWARDS	TOTAL	EXERCISE DATE
R C Walters:					
	May 2003	665,813	269,253	935,066	May 2006
	June 2004	419,847	150,076	569,923	June 2007
	December 2005	304,813	116,598	421,411	December 2008
		1,390,473	**535,927**	**1,926,400**	
G P Daubeney:					
	May 2003	549,723	222,307	772,030	May 2006
	June 2004	347,328	102,325	449,653	June 2007
	December 2005	254,278	–	254,278	December 2008
		1,151,329	**324,632**	**1,475,961**	
I V Nash:					
	May 2003	426,803	172,598	599,401	May 2006
	June 2004	271,947	97,208	369,155	June 2007
	December 2005	208,556	70,134	278,690	December 2008
		907,306	**339,940**	**1,247,246**	
		3,449,108	**1,200,499**	**4,649,607**	

Directors' interests in shares

The performance criteria of the PSP are detailed in note 18 to the accounts. The Directors who held office at 31 December 2005 had the following interests in the ordinary shares of the Company:

	31 DECEMBER 2005 NUMBER	31 DECEMBER 2004 NUMBER
R C Walters	2,636,197	2,567,404
G P Daubeney	1,067,414	1,067,414
I V Nash	200,565	159,316
T G Barker	39,411	39,411
P S Aiken	11,176	11,176
R P Tenzer	14,705	14,705

Pensions

Three Directors were members of money purchase pension schemes during the year. Contributions paid in by the Company in respect of such Directors were as follows:

	2005 £'000	2004 £'000
Name of Director		
R C Walters	15	15
G P Daubeney	6	6
I V Nash	6	6
	27	27

Approval

This report was approved by the Board of Directors on 25 February 2006 and signed on its behalf by:

PHILIP AIKEN
Director
25 February 2006

statement of directors' responsibilities

Accounts, including adoption of going concern basis
The Directors are responsible for preparing the annual report and the financial statements, in accordance with International Financial Reporting Standards (IFRS). Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the International Accounting Standards regulations.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

In preparing the accounts, the Directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent; and

– state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Other matters
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 1985.

They are also responsible for the system of internal control, safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

independent auditors' report to the members of Robert Walters plc

We have audited the Group financial statements of Robert Walters plc for the year ended 31 December 2005 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, the statement of accounting policies and the related notes. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the report of the Remuneration Committee that is described as having been audited.

We have reported separately on the individual company financial statements of Robert Walters plc for the year ended 31 December 2005.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the annual report, the report of the Remuneration Committee and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements and the part of the report of the Remuneration Committee described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the Group financial statements and the part of the report of the Remuneration Committee described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you if, in our opinion, the Directors' report is not consistent with the Group financial statements. We also report to you if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' transactions with the Company and other members of the Group is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four Directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the report of the Remuneration Committee and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the report of the Remuneration Committee described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the report of the Remuneration Committee described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the report of the Remuneration Committee described as having been audited.

independent auditors' report to the members of Robert Walters plc *continued*

Opinion

In our opinion:

– the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended; and

– the Group financial statements and the part of the report of the Remuneration Committee described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
25 February 2006

consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Revenue	1		
Continuing operations		**234,550**	188,235
Cost of sales		(146,428)	(121,212)
Gross profit		**88,122**	67,023
Administrative expenses		(75,110)	(59,022)
Operating profit		**13,012**	8,001
Interest received		41	281
Interest paid	2	(163)	–
Loss on foreign exchange		(197)	(146)
Profit on ordinary activities before taxation	3	**12,693**	8,136
Tax on profit on ordinary activities	5	(4,564)	(3,167)
Profit on ordinary activities after taxation		**8,129**	4,969
Dividends	6	(2,403)	(2,495)
Retained profit for the year	19	**5,726**	2,474
Earnings per share (pence):	7		
Basic		10.6	6.4
Diluted		10.0	6.0

consolidated statement of recognised income and expense

FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £'000	2004 £'000
Profit for the year	**8,129**	4,969
Foreign currency translation differences	764	(407)
Total recognised income and expense for the year	**8,893**	4,562

consolidated balance sheet

AS AT 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Non-current assets			
Intangible assets	8	7,697	6,847
Property, plant and equipment	9	4,057	3,460
Deferred tax asset	15	1,558	756
		13,312	11,063
Current assets			
Trade and other receivables	12	44,280	37,800
Corporation tax receivables		588	1,051
Cash and cash equivalents		13,612	9,712
		58,480	48,563
Total assets		71,792	59,626
Current liabilities			
Trade and other payables	13	(29,585)	(24,470)
Corporation tax liabilities		(2,516)	(2,487)
Bank loan	14	(1,641)	–
		(33,742)	(26,957)
Net current assets		**24,738**	21,606
Non-current liabilities			
Bank loan	14	(2,908)	–
Deferred tax liabilities	15	(1,286)	(558)
		(4,194)	(558)
Total liabilities		(37,936)	(27,515)
Net assets		**33,856**	32,111
Equity			
Called-up share capital	17	16,946	16,935
Share premium account	19	77,846	77,816
Other reserves	19	(74,034)	(74,034)
Own shares held	19	(8,232)	(8,232)
Treasury shares held	19	(4,786)	–
Foreign exchange reserves	19	283	(481)
Retained earnings	19	25,833	20,107
Total equity	20	**33,856**	32,111

The accounts on pages 25 to 51 were approved and authorised for issue by the Board of Directors on 25 February 2006 and signed on its behalf by:

IAN NASH
Group Finance Director

consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Cash generated from operating activities	21	**13,425**	1,067
Income taxes paid		(4,072)	(1,707)
Net cash from operating activities		**9,353**	(640)
Investing activities			
Interest (paid) received		(122)	281
Purchases of computer software		(1,257)	–
Purchases of property, plant and equipment		(1,781)	(1,162)
Net cash used in investing activities		(3,160)	(881)
Financing activities			
Equity dividends paid		(2,433)	(2,467)
Proceeds from issue of equity		41	–
Proceeds from bank loan		5,000	–
Repayment of bank loan		(451)	–
Own shares purchased		(4,786)	(1,884)
Net cash used in financing activities		(2,629)	(4,351)
Net increase (decrease) in cash and cash equivalents		**3,564**	(5,872)
Cash and cash equivalents at beginning of year		9,712	15,915
Effect of foreign exchange rate changes		336	(331)
		13,612	9,712
Cash and cash equivalents at end of year			
Bank balances and cash		13,612	9,712
		13,612	9,712

statement of accounting policies

FOR THE YEAR ENDED 31 DECEMBER 2005

Accounting Policies

Basis of preparation

The financial statements for the year ended 31 December 2005 have been prepared in accordance with the historic cost convention and also, for the first time, with International Financial Reporting Standards, including International Accounting Standards and Interpretations (IFRSs) as adopted for use in the European Union.

The financial statements have has been prepared in accordance with those IFRSs in issue (or available for early adoption) at 31 December 2005 and the Group has elected to use the following exemptions, available under IFRS 1 'First time Adoption of International Financial Reports Standards':

– the Group has chosen to apply IFRS 3 'Business combinations' prospectively from the date of transition to IFRSs (1 January 2004) and has not restated goodwill arising from transactions prior to this date; and

– the Group has chosen to apply IAS 21 'The effects of changes in foreign exchange rates' except in relation to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to IFRSs.

The Group's consolidated financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP) until 31 December 2004. The policies set out below represent the significant IFRS policies and have been consistently applied to all the periods presented. Comparative figures in respect of 2004 have been restated to reflect IFRS adjustments. Note 26 provides reconciliations and explanations concerning the transition from UK GAAP to IFRSs.

a) Basis of consolidation

The Group financial statements consolidate the financial statements of Robert Walters plc and its subsidiary undertakings drawn up to 31 December each year. Acquisitions are accounted for under the acquisition method.

b) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is reviewed for impairment at least annually. Any impairment is recognised in the consolidated Income Statement and is not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the net 1 January 2004 £ Sterling UK GAAP amounts, subject to being tested for impairment at that date. On disposal the attributable amount of goodwill is included in determining the profit or loss on disposal.

c) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax is reviewed at each balance sheet date and is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

d) Employee share schemes

The cost of awards made under the Group's employee share schemes after 7 November 2002 is based on the fair value of the shares at the time of grant and is charged to the Income Statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

e) Revenue

Revenue comprises the value of services, net of VAT and other sales related taxes, provided in the normal course of business. Any bad debt provision that may be deemed necessary is treated as an administrative expense.

statement of accounting policies *continued*

FOR THE YEAR ENDED 31 DECEMBER 2005

Revenue from the placement of permanent staff is recognised when a candidate accepts a position and a start date is determined. A provision is made for the cancellation of placements prior to or shortly after the commencement of employment based on past experience of this occurring.

Revenue from temporary placements represents the amounts billed for the services of temporary staff including the salary costs of those staff. This is recognised when the service has been provided, to the extent that the Group is acting as a principal. Where the Group is not considered to act as a principal, the salary costs of the temporary staff are excluded from revenue and only the net margin is recognised as revenue.

Revenue in respect of outsourcing and consultancy is recognised when the service has been provided.

f) Gross profit (net fee income)

Gross profit is the total placement fees of permanent candidates, the margin earned on the placement of contract candidates and advertising income. It also includes the outsourcing and consultancy margin earned by Resource Solutions.

g) Operating profit

Operating profit is the total revenue less the total associated costs incurred in the production of revenue. The only items that are excluded from operating profit are finance costs (including foreign exchange), investment income and expenditure, taxation and, if deemed appropriate, amounts that are identified as non-recurring material items.

h) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date, with any gain or loss that may arise as a result being included in net profit or loss for the period.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and the results of overseas operations are dealt with through reserves, and recognised as income or as expenses in the period in which an operation is disposed of.

i) Property, plant and equipment and computer software

Property, plant and equipment and computer software is stated at cost, net of depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

– Leasehold improvements and finance leases: the shorter of estimated useful life and the period of the lease

– Motor vehicles: 17.5%

– Fixtures, fittings and office equipment: 10% to 20%

– Computer equipment and software: 33.3%

j) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term even if the payments are not made on such a basis.

k) Investments

Investments are shown at cost less provision for impairment where appropriate.

l) Pensions

The Group currently contributes to the money purchase pension plans of certain individual Directors and employees. Contributions payable in respect of the year are charged to the income statement.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described above, management considers that judgements in relation to revenue recognition and bad debt expense have the most significant effect on the amounts recognised in the financial statements. These are also the key sources of estimation uncertainty and are arrived at through specific analysis and historical experience.

notes to the accounts

1. Segmental information

	2005 £'000	2004 £'000
i) Revenue:		
UK	122,132	102,262
Continental Europe	21,408	11,942
Asia Pacific	84,278	69,975
Other	6,732	4,056
	234,550	188,235
ii) Gross profit:		
UK	38,062	31,457
Continental Europe	11,981	6,643
Asia Pacific	32,672	25,541
Other	5,407	3,382
	88,122	67,023
iii) Profit on ordinary activities before interest and tax:		
UK	1,696	2,187
Continental Europe	2,201	397
Asia Pacific	8,768	5,335
Other	347	82
Operating profit	**13,012**	8,001
Finance costs (net)	(319)	135
Profit on ordinary activities before tax	**12,693**	8,136
iv) Net assets:		
UK	3,395	5,898
Continental Europe	555	201
Asia Pacific	19,323	17,235
Other	(1,101)	359
Cash and income tax balances	11,684	8,418
	33,856	32,111

The analysis of revenue by destination is not materially different to the analysis by origin. The Group is divided into geographical areas for management purposes, and it is on this basis that the primary segmental information has been prepared.

v) Other information – 2005:	FIXED ASSET ADDITIONS £'000	DEPRECIATION AND AMORTISATION £'000	ASSETS £'000	LIABILITIES £'000
UK	1,740	523	24,372	(20,976)
Continental Europe	271	387	5,029	(4,474)
Asia Pacific	896	283	26,658	(7,336)
Other	131	111	1,533	(2,634)
Unallocated Corporate	–	–	14,200	(2,516)
	3,038	**1,304**	**71,792**	**(37,936)**

notes to the accounts *continued*

1. Segmental information *continued*

Other information – 2004:	FIXED ASSET ADDITIONS £'000	DEPRECIATION AND AMORTISATION £'000	ASSETS £'000	LIABILITIES £'000
UK	542	696	21,629	(15,588)
Continental Europe	240	84	3,436	(3,235)
Asia Pacific	293	36	22,938	(5,704)
Other	87	312	860	(501)
Unallocated Corporate	–	–	10,763	(2,487)
	1,162	**1,128**	**59,626**	**(27,515)**

	2005 £'000	2004 £'000
vi) Revenue by business grouping:		
Robert Walters	224,876	179,451
Resource Solutions (recruitment process outsourcing)	9,674	8,784
	234,550	188,235
vii) Carrying value of assets:		
Robert Walters	50,965	40,596
Resource Solutions	6,627	8,267
	57,592	48,863

For the purposes of other information, assets and liabilities exclude cash and income tax balances.

	2005 £'000	2004 £'000
viii) Additions to property, plant & equipment and computer software:		
Robert Walters	2,901	1,149
Resource Solutions	137	13
	3,038	1,162

2. Interest paid

	2005 £'000	2004 £'000
Interest on bank overdrafts	150	–
Interest on long term loans	13	–
Total borrowing costs	**163**	–

3. Profit on ordinary activities before taxation

	2005 £'000	2004 £'000
Profit on ordinary activities is stated after charging:		
Auditors' remuneration – Deloitte & Touche LLP	216	161
– other	22	33
Depreciation and amortisation of assets – owned	1,304	1,128
Loss on disposal of fixed assets	252	42
Operating lease rentals – property	3,244	2,862
– computers and equipment	567	455

Payments to Deloitte & Touche LLP in relation to non-audit services amounted to £51,000 (2004: £32,000) and were primarily in relation to tax advice. Auditors' remuneration in respect of audit services consisted of £169,000 (2004: £141,000) in relation to statutory audits and £47,000 (2004: £20,000) for audit-related regulatory reporting.

4. Staff costs

	2005 NUMBER	2004 NUMBER
The average monthly number of employees of the Group (including Executive Directors) during the year was:		
Group employees	**1,025**	846

	2005 £'000	2004 £'000
Their aggregate remuneration comprised:		
Wages and salaries	39,503	37,160
Social security costs	3,777	3,402
Other pension costs	1,269	798
	44,549	41,360

5. Tax on profit on ordinary activities

	2005 £'000	2004 £'000
Current tax charge		
Corporation tax – UK	912	948
Corporation tax – Overseas	3,679	2,262
Double tax relief	41	–
Adjustments in respect of prior periods		
Corporation tax – UK	–	(167)
Corporation tax – Overseas	4	384
	4,636	3,427
Deferred tax		
Deferred tax – UK	(434)	(189)
Deferred tax – Overseas	210	38
Adjustments in respect of prior periods		
Deferred tax – UK	152	(109)
Deferred tax – Overseas	–	–
	(72)	(260)
Total tax charge for the year	**4,564**	3,167

UK corporation tax has been charged at 30% (2004: 30%).

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	12,693	8,136
Tax at standard UK corporation tax rate of 30%	3,808	2,441
Effects of:		
Relieved foreign losses	(25)	(124)
Other expenses not deductible for tax purposes	618	448
Overseas earnings taxed at different rates	159	185
Adjustments to tax charges in previous periods	4	217
Total tax charge for year	**4,564**	3,167

notes to the accounts *continued*

6. Equity dividends

	2005 £'000	2004 £'000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend paid of 1.05p per share (2004: 1.05p)	812	811
Final dividend for 2004 of 2.1p (2003: 2.1p)	1,591	1,684
	2,403	2,495
Proposed final dividend for 2005 of 2.35p (2004: 2.1p)	**1,732**	1,628

The proposed final dividend of £1,732,000 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

7. Earnings per share

The calculation of earnings per ordinary share is based on the profit on ordinary activities after taxation and the weighted average number of ordinary shares of Robert Walters plc.

	2005 £'000	2004 £'000
Profit on ordinary activities after taxation	**8,129**	4,969

	2005 NUMBER OF SHARES	2004 NUMBER OF SHARES
Weighted average number of shares:		
Shares in issue throughout the year	84,676,927	84,676,927
Shares issued in the year	43,819	–
Own shares held	(8,313,505)	(6,701,724)
For basic earnings per share	**76,407,241**	77,975,203
Outstanding share options	4,718,281	4,643,560
For diluted earnings per share	**81,125,522**	82,618,763

8. Intangible assets

	GOODWILL £'000	COMPUTER SOFTWARE £'000	TOTAL £'000
Cost			
At 1 January 2005	6,847	1,021	7,868
Additions	–	1,257	1,257
Disposals	–	(105)	(105)
Foreign currency translation differences	–	3	3
At 31 December 2005	**6,847**	**2,176**	**9,023**
Accumulated depreciation and impairment			
At 1 January 2005	–	1,021	1,021
Charge for the year	–	337	337
Disposals	–	(38)	(38)
Foreign currency translation differences	–	6	6
At 31 December 2005	**–**	**1,326**	**1,326**
Carrying value			
At 1 January 2005	6,847	–	6,847
At 31 December 2005	**6,847**	**850**	**7,697**

The carrying value of goodwill, denominated in £ Sterling, relates to the historic acquisition of Dunhill Pty in Australia and is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the goodwill is based on value in use, calculated by preparing cash flow forecasts derived from the most recent financial budgets and an assumed growth rate of 3%, which does not exceed the long term average growth rate of the Australian market. The value of the cash flows is then discounted at a post-tax rate of 8%.

9. Property, plant and equipment

	LEASEHOLD IMPROVEMENTS £'000	FIXTURES, FITTINGS & OFFICE EQUIPMENT £'000	COMPUTER EQUIPMENT £'000	MOTOR VEHICLES £'000	TOTAL £'000
Cost					
At 1 January 2005	2,478	3,311	1,692	110	7,591
Additions	403	828	473	77	1,781
Disposals	–	(330)	(230)	(157)	(717)
Foreign currency translation differences	3	64	10	(1)	76
At 31 December 2005	**2,884**	**3,873**	**1,945**	**29**	**8,731**
Accumulated depreciation and impairment					
At 1 January 2005	1,064	1,863	1,114	90	4,131
Charge for the year	337	374	254	2	967
Disposals	–	(222)	(160)	(88)	(470)
Foreign currency translation differences	(2)	41	7	–	46
At 31 December 2005	**1,399**	**2,056**	**1,215**	**4**	**4,674**
Carrying value					
At 1 January 2005	1,414	1,448	578	20	3,460
At 31 December 2005	**1,485**	**1,817**	**730**	**25**	**4,057**

10. Fixed asset investments

	TOTAL £'000
Cost:	
At 1 January 2005 and 31 December 2005	103
Provision:	
At 1 January 2005 and 31 December 2005	(103)
Carrying value:	
At 1 January 2005 and 31 December 2005	–

11. Principal Group investments

Details of principal Group investments existing as at 31 December 2005 are as follows:

	PERCENTAGE OF ORDINARY SHARES	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION
Subsidiary undertaking			
Robert Walters Pty Limited	100%	Recruitment consultancy	Australia
Robert Walters SA	100%	Recruitment consultancy	Belgium
Walters Interim SA	100%	Recruitment consultancy	Belgium
Robert Walters SARL	100%	Recruitment consultancy	France
Walters Interim	100%	Recruitment consultancy	France
Robert Walters (Hong Kong) Limited	100%	Recruitment consultancy	Hong Kong
Robert Walters Limited	100%	Recruitment consultancy	Ireland
Robert Walters Japan KK	100%	Recruitment consultancy	Japan
Robert Walters BV	100%	Recruitment consultancy	Netherlands
Robert Walters New Zealand Limited	100%	Recruitment consultancy	New Zealand
Robert Walters (Singapore) Pte Limited	100%	Recruitment consultancy	Singapore
Resource Solutions Limited	100%	HR outsourcing services	United Kingdom
Resource Solutions Consultancy Services Limited	100%	HR outsourcing services	United Kingdom
Robert Walters Operations Limited	100%	Recruitment consultancy	United Kingdom
Resource Solutions Inc.	100%	HR outsourcing services	USA
Robert Walters Associates Inc.	100%	Recruitment consultancy	USA
Other investments			
Merryck and Co Limited	4.5%	CEO business mentoring	United Kingdom

12. Trade and other receivables

	2005 £'000	2004 £'000
Trade receivables	36,656	31,930
Amounts due from subsidiaries	–	–
Other trade receivables	2,400	1,424
Prepayments and accrued income	5,224	4,446
	44,280	37,800

13. Trade and other payables: amounts falling due within one year

	2005 £'000	2004 £'000
Trade payables	2,802	3,360
Amounts due to subsidiaries	–	–
Other taxation and social security	6,285	5,234
Other trade payables	5,669	4,345
Accruals and deferred income	14,826	11,502
Dividends proposed and payable	3	29
	29,585	24,470

14. Bank loan

	2005 £'000	2004 £'000
Bank loan	2,908	–
	2,908	–
The borrowings are repayable as follows:		
Within one year	1,641	–
In the second year	1,656	–
In the third to fifth year inclusive	1,252	–
	4,549	–
Less: amount due for settlement within 12 months (shown under current liabilities)	(1,641)	–
Amount due for settlement after 12 months	**2,908**	–

A Japanese Yen denominated bank loan of £5,000,000 was taken out on 24 October 2005 at a fixed interest rate of 1.78% per annum and thus exposes the Group to fair value interest rate risk, currency risk being addressed by the Group's Japanese operation. Repayments are quarterly until 16 September 2008 and the Directors estimate that the fair value of all borrowings is not materially different from the amounts stated in the Balance Sheet of £4,549,000 (2004: £nil).

The loan is secured against the main trading operations of the Group.

15. Deferred taxation

The following are the major tax assets (liabilities) recognised by the Group and the movements during the current and prior reporting period.

	ACCELERATED DEPRECIATION £'000	WITHHOLDING TAX ON SUBSIDIARY INCOME £'000	ACCRUALS AND PROVISIONS £'000	TOTAL £'000
At 1 January 2004	(223)	(203)	40	(386)
Credit (charge) to income	325	(180)	439	584
At 1 January 2005	102	(383)	479	198
Credit (charge) to income	(307)	(263)	644	74
At 31 December 2005	(205)	(646)	1,123	272

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2005 £'000	2004 £'000
Deferred tax liabilities	(1,286)	(558)
Deferred tax assets	1,558	756
	272	198

16. Derivatives and other financial instruments

The Group's financial instruments comprise cash and liquid resources and various items, such as trade receivables, trade payables, etc., that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group has not entered into derivative transactions and no gains or losses on hedges have been incurred.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk and interest rate risk.

(i) Financial assets

Surplus cash balances are invested in financial institutions with favourable credit ratings that offer competitive rates of return, whilst still providing the Group with flexibility in its cash management.

Cash	2005 £'000	2004 £'000
Pounds Sterling	2,573	348
Euros	3,962	2,148
Australian Dollars	2,810	3,141
Japanese Yen	1,208	928
US Dollars	605	1,114
Hong Kong Dollars	866	489
Singapore Dollars	1,000	1,074
New Zealand Dollars	453	182
Other	135	288
	13,612	9,712

All financial assets, as detailed above, are at floating rate. There is no material difference between the fair value and the carrying value of the financial assets.

(ii) Currency exposures

The main functional currencies of the Group are £ Sterling, Australian Dollars and the Euro. The Group does not have material transactional exposures because in the local entities, revenues and costs are in their functional currencies.

There are no material net exposures to monetary assets and monetary liabilities.

The Group has translation exposure in accounting for overseas operations and its policy is not to hedge against this exposure.

(iii) Liquidity risk

The Group's overall objective is to ensure that at all times it is able to meet its financial commitments as and when they fall due. Surplus funds are invested on short term deposit. Short term flexibility is achieved by overdraft facilities, if appropriate.

(iv) Interest rate risk

The Group manages its cash funds through its London Corporate Head Office and does not actively manage its exposure to interest rate fluctuations. Surplus funds in the United Kingdom earn interest at a rate linked to the Bank of England base rate. Surplus funds in other countries earn interest based on a number of different indices, varying from country to country.

16. Derivatives and other financial instruments *continued*

(v) Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables and investments. The Group's credit risk is primarily in respect of the trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group has no significant concentration of credit risk and exposure is spread over a large number of customers.

(vi) Financial liabilities
The Group finances its operations through a mixture of retained earnings and also has an agreed overdraft facility of £10.0m at 31 December 2005 (2004: £10.0m). The overdraft facility is due for renewal in November 2006, £ Sterling denominated and repayable on demand. The average effective interest rate approximates to 5.6% (2004: 5.35%) and is determined based upon 0.95% plus base rate. As the rate is floating, the Group is exposed to cash flow risk. A Japanese Yen loan was taken out during the year and is disclosed in note 14 to the accounts.

17. Called-up share capital

	2005 NUMBER	2004 NUMBER	2005 £'000	2004 £'000
Authorised				
Ordinary shares of 20p each	200,000,000	200,000,000	40,000	40,000
Allotted, called-up and fully paid				
Ordinary shares of 20p each	84,731,927	84,676,927	16,946	16,935

The called-up share capital of the Company was increased on 16 March 2005 due to the issue of 55,000 new shares in accordance with obligations in respect of the Executive Share Option Scheme.

The Company has one class of ordinary shares which carry no right to fixed income.

18. Share options

Equity settled share option plan
As at 31 December 2005 the following options had been granted and remained outstanding in respect of the Company's ordinary shares of 20p each under the Company's Executive Share Option Scheme:

	SHARE OPTIONS GRANTED	PRICE GRANTED PENCE	EXERCISABLE FROM	EXERCISABLE TO
IPO Options – Super	3,193,618	170	July 2005	June 2010
Executive Options	85,630	170	July 2003	June 2010
Executive Options	80,000	222	October 2003	September 2010
Executive Options	200,000	230	January 2004	December 2010
Executive Options	1,988,000	82	September 2004	August 2011
Executive Options	15,000	118	March 2005	February 2012
Executive Options	175,000	58	January 2006	December 2012
Executive Options	900,000	56	May 2006	April 2013
Executive Options	56,740	97	September 2006	August 2013
Executive Options	1,425,000	103	June 2007	May 2014
Executive Options	250,000	104	November 2007	October 2014
Executive Options	250,000	102	May 2008	May 2015
Executive Options	1,235,000	135	December 2008	December 2015
	9,853,987			

The movements within the balance of share options are indicated opposite, as well as a calculation of the respective weighted averages for each category of movement and the opening and closing balances.

18. Share options *continued*

Equity settled share option plan *continued*

	2005		2004	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (£)	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (£)
At 1 January	**13,853,653**	**1.41**	12,507,291	1.48
Granted during the year	1,485,000	1.29	1,750,000	1.03
Expired during the year	(3,844,988)	1.80	–	–
Forfeited during the year	(1,584,678)	1.46	(403,638)	1.74
Exercised during the year	(55,000)	0.75	–	–
At 31 December	**9,853,987**	**1.23**	13,853,653	1.41

The weighted average share price at the date of exercise for share options exercised during the period was £0.75. The options outstanding at 31 December 2005 had a weighted average remaining contractual life of seven years and a value of £1.23.

There were 381,260 options already exercisable at the end of the year.

The inputs into the Stochastic model are as follows:

	2005	2004	2003
Weighted average share price	£1.42	£1.03	£0.60
Weighted average exercise price	£1.35	£1.03	£0.60
Expected volatility	39.4%	45.2%	50.6%
Expected life	6	6	6
Risk free rate	4.3%	5.2%	3.9%
Expected dividend yield	2.2%	3.1%	5.3%

Expected volatility was determined by calculating the historical volatility of the Group's share price from 1 January 2002. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Exercise of the Executive Share Options is subject to the achievement of a percentage increase in earnings per share which exceeds the percentage increase in inflation by at least an average of 5% per annum, over a period of three, four or five financial years of the Group. However, grants subsequent to 1 December 2005 are no longer subject to retesting in years four and five. IPO Options granted under the Executive Share Option Scheme are divided into 'basic' and 'super' options, having different performance targets. Exercise of the IPO Basic Options is subject to the same performance criteria as the Executive Share Options. Exercise of the IPO Super Options is subject to the achievement of an average compound growth in the Company's share price of 8.45%.

On satisfaction of these performance targets, 33.33% of the options vest. Vesting then increases progressively with the Executive and Basic Options fully vesting where earnings per share growth matches the UK retail price index plus an average of 9% per annum and the Super Options fully vesting where the average compound growth in the share price is 24.57% (equivalent to 200% after five years).

18. Share options *continued*

Equity settled Performance Share Plan (PSP)
As at 31 December 2005 the following Share Awards had been granted and remained outstanding in respect of the Company's ordinary shares of 20p each under the Company's Executive PSP Scheme:

The movements within the balances of Share Awards and Co-investment Awards are indicated below:

	2005			2004		
	SHARE AWARDS	CO-INVESTMENT AWARDS	TOTAL	SHARE AWARDS	CO-INVESTMENT AWARDS	TOTAL
At 1 January	**4,063,961**	**1,909,253**	**5,973,214**	2,562,339	1,320,521	3,882,860
Granted during the year	1,242,234	362,604	1,604,838	1,526,622	631,159	2,157,781
Forfeited during the year	(152,500)	(82,084)	(234,584)	(25,000)	(42,427)	(67,427)
At 31 December	**5,153,695**	**2,189,773**	**7,343,468**	4,063,961	1,909,253	5,973,214

The options outstanding at 31 December 2005 had a weighted average remaining contractual life of 1.2 years, with no Awards either expiring or being exercised during the year or during 2004.

The inputs into the Stochastic model are as follows:

	2005	2004	2003
Weighted average share price	£1.42	£1.01	£0.60
Weighted average exercise price	nil	nil	nil
Expected volatility	34.8%	45.2%	50.6%
Expected life	3	3	3
Risk free rate	4.4%	5.2%	3.6%
Expected dividend yield	2.2%	3.1%	5.3%

Expected volatility was determined by calculating the historical volatility of the Group's share price from 1 January 2002. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Under the terms of the PSP the number of shares receivable by Executive Directors for a nominal value is dependent upon the total shareholder return ('TSR') over the three year period from the initial date of grant, and in the case of Co-investment Awards, the continued ownership of qualifying shares in the Company is also required. As such it is not possible to determine the interests of the individual Directors prior to the completion of the vesting period, although no shares will vest if the TSR performance does not at least equal the performance of the FTSE Small Cap Index. For all of the PSP shares to vest, the TSR must exceed the FTSE Small Cap Index by a compound 12.5% per annum.

The Group recognised total expenses during the year in respect of equity-settled share-based payment transactions of £927,000 (2004: £707,000).

19. Reserves

Group	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	OTHER RESERVES £'000	OWN SHARES HELD £'000	TREASURY SHARES HELD £'000	FOREIGN EXCHANGE RESERVE £'000	RETAINED EARNINGS £'000	TOTAL £'000
Shareholders' funds at 1 January 2005	16,935	77,816	(74,034)	(8,232)	–	(481)	20,107	32,111
Shares issued	11	30	–	–	–	–	–	41
Own shares purchased	–	–	–	–	(4,786)	–	–	(4,786)
Foreign currency translation differences	–	–	–	–	–	764	–	764
Retained profit for the year	–	–	–	–	–	–	5,726	5,726
Shareholders' funds at 31 December 2005	**16,946**	**77,846**	**(74,034)**	**(8,232)**	**(4,786)**	**283**	**25,833**	**33,856**

The other reserves of the Group include a merger reserve of (£83,379,000), a capital reserve of £9,301,000 and a capital contribution reserve of £44,000.

£12,815,000 of the retained earnings of the Group represents distributable reserves. All other reserves of the Group are non-distributable.

The own shares are held by an employee benefit trust as a hedge against Employees' National Insurance Tax payable on the executive share options, which is dependent on the prevailing share price when an option is exercised, and also to satisfy the potential share obligations of the Group.

The Group also has an obligation to make regular contributions to the Executive Share Option Plan to enable it to meet its financing costs. Rights to dividends on shares held by the plan have been waived by the trustees. Charges of £42,000 (2004: £6,000) have been reflected in the Income Statement in respect of the scheme.

The number and market value of own shares held at 31 December 2005 was 7,445,560 (2004: 7,445,560) and £10,908,000 (2004: £7,855,000). The number and market value of treasury shares held at 31 December 2005 was 3,600,000 (2004: nil) and £5,274,000 (2004: £nil).

20. Movement in equity

	2005 £'000	2004 £'000
Profit for the year	**8,129**	4,969
Foreign currency translation differences	764	(407)
	8,893	4,562
Dividends	(2,403)	(2,495)
Own shares purchased	(4,786)	(1,884)
New shares issued	41	–
Net increase in equity	**1,745**	183
Opening equity	32,111	31,928
Closing equity	**33,856**	32,111

21. Notes to the cash flow statement

	2005 £'000	2004 £'000
Operating profit	**13,012**	8,001
Adjustments for:		
Depreciation and amortisation charges	1,304	1,128
Loss on disposal of computer software	67	–
Loss on disposal of property, plant and equipment	247	42
Movement in share scheme balance	927	707
Operating cash flows before movements in working capital	**15,557**	9,878
Increase in receivables	(6,320)	(14,465)
Increase in payables	4,188	5,654
Cash generated by operations	**13,425**	1,067

22. Analysis and reconciliation of net funds

Analysis of change in net funds	AT 1 JANUARY 2005 £'000	CASH FLOWS £'000	EXCHANGE MOVEMENT ON CASH £'000	AT 31 DECEMBER 2005 £'000
Cash at bank and in hand	9,712	3,564	336	13,612
Net funds	**9,712**	**3,564**	**336**	**13,612**

	2005 £'000	2004 £'000
Increase (decrease) in cash in the year	**3,564**	(5,872)
Foreign currency translation differences	336	(331)
Movement in net funds	**3,900**	(6,203)
Net funds at 1 January	9,712	15,915
Net funds at 31 December	**13,612**	9,712

23. Commitments

The Group has the following minimum annual rentals under operating leases as they fall due:

	2005 £'000	2004 £'000
Operating leases expiry date:		
– within one year	4,333	3,088
– between two and five years	12,205	8,902
– after five years	1,404	6,664
	17,942	18,654

The Group has no finance lease commitments (2004: £nil).

There are no capital commitments for the Group (2004: £nil).

24. Related party transactions

There were no related party transactions in the year to 31 December 2005 (2004: £nil). The remuneration of the Directors, who are the key management personnel of the Group, is set out in the audited part of the report of the Remuneration Committee.

25. Contingent liabilities

Each member of the Robert Walters plc Group is party to joint and several guarantees in respect of banking facilities granted to Robert Walters plc.

26. Explanation of transition to IFRSs for the year ended 31 December 2004

This is the first year that the Group has presented its consolidated financial statements under IFRS. The following disclosures are required in the year of transition. The last consolidated financial statements under UK GAAP were for the year ended 31 December 2004 and the date of transition to IFRSs was therefore 1 January 2004.

Reconciliation of equity at 1 January 2004 (£'000)

	UK GAAP	EFFECT OF TRANSITION TO IFRSs (NOTES)						IFRSs
		1	2	3	4	5	6	
Non-current assets								
Goodwill	6,847	–	–	–	–	–	–	6,847
Property, plant and equipment	3,474	–	–	–	–	–	–	3,474
Deferred tax asset	–	–	–	–	–	300	–	300
	10,321	**–**	**–**	**–**	**–**	**300**	**–**	**10,621**
Current assets								
Trade and other receivables	23,389	–	–	–	(54)	–	–	23,335
Corporation tax receivables	–	–	–	–	940	–	–	940
Cash and cash equivalents	15,915	–	–	–	–	–	–	15,915
	39,304	–	–	–	886	–	–	40,190
Current liabilities								
Trade and other payables	(17,832)	292	–	1,684	–	–	(1,455)	(17,311)
Corporation tax liabilities	–	–	–	–	(886)	–	–	(886)
	(17,832)	292	–	1,684	(886)	–	(1,455)	(18,197)
Net current assets	**21,472**	**292**	**–**	**1,684**	**–**	**–**	**(1,455)**	**21,993**
Non-current liabilities								
Provision for liabilities and charges	(183)	–	–	–	–	183	–	–
Deferred tax liabilities	–	–	(203)	–	–	(483)	–	(686)
Total liabilities	(18,015)	292	(203)	1,684	(886)	(300)	(1,455)	(18,883)
Net assets	**31,610**	**292**	**(203)**	**1,684**	**–**	**–**	**(1,455)**	**31,928**
Called-up share capital	16,935	–	–	–	–	–	–	16,935
Share premium account	77,816	–	–	–	–	–	–	77,816
Other reserves	(74,034)	–	–	–	–	–	–	(74,034)
Own shares held	(6,348)	–	–	–	–	–	–	(6,348)
Foreign exchange reserves	(74)	–	–	–	–	–	–	(74)
Retained earnings	17,315	292	(203)	1,684	–	–	(1,455)	17,633
Total equity	**31,610**	**292**	**(203)**	**1,684**	**–**	**–**	**(1,455)**	**31,928**

Notes to the reconciliation of equity at 1 January 2004

1. **Share schemes**
   IFRS 2 requires that a charge in respect of the Executive Share Option Scheme (ESOS) and the Performance Share Plan (PSP) is made to the Income Statement. Whilst there was no charge in respect of the ESOS under UK GAAP, a charge was incurred previously based upon the full value of the PSP awards. As IFRS requires that the charge in respect of the PSP awards be discounted by a certain percentage in relation to the estimated difficulty of achieving the performance targets, the overall impact is a reduction in the prior year charge.

2. **Deferred tax liability on overseas earnings**
   It is likely that overseas earnings will be repatriated to the Company in the foreseeable future in the form of dividends. As withholding taxes will be applied to such earnings in a number of jurisdictions, a deferred tax liability has been raised in respect of this future obligation in accordance with IAS 12.

3. **Dividends**
   The proposed final dividend payment for 2003 of £1,684,000 was previously treated as a liability in 2003 and accordingly included within current liabilities. In accordance with IAS 10, as the 2003 dividend was subject to ratification after the year end at the AGM, it is not classified as a liability at 31 December 2003 and has therefore been reversed.

4. **Tax liabilities**
   A tax asset of £54,000 was previously included within current assets and disclosed within a note to the accounts, but in accordance with IAS 1, this amount has been shown on the face of the Balance Sheet. Similarly, individual corporation tax liabilities of £886,000 that were previously offset have been shown separately.

5. **Deferred tax asset**
   A deferred tax asset of £300,000 was previously offset against a deferred tax liability and previously shown as a net provision of £183,000. In accordance with IAS 12, the net balance of £183,000 has been reclassified as both a deferred tax asset of £300,000, and also a deferred tax liability of £483,000.

6. **IFRS financial liabilities**
   A net adjustment of £1,455,000 includes holiday pay provisions, the remeasurement of certain financial liabilities in accordance with IAS 39 and adjustments relating to property leases.

Reconciliation of equity at 31 December 2004 (£'000)

	UK GAAP	EFFECT OF TRANSITION TO IFRSs (NOTES)							IFRSs
		1	2	3	4	5	6	7	
Non-current assets									
Goodwill	6,451	396	–	–	–	–	–	–	6,847
Property, plant and equipment	3,460	–	–	–	–	–	–	–	3,460
Deferred tax asset	–	–	–	–	–	–	756	–	756
	9,911	**396**	**–**	**–**	**–**	**–**	**756**	**–**	**11,063**
Current assets									
Trade and other receivables	38,381	–	–	–	–	–	(581)	–	37,800
Corporation tax receivables	–	–	–	–	–	1,051	–	–	1,051
Cash and cash equivalents	9,712	–	–	–	–	–	–	–	9,712
	48,093	–	–	–	–	1,051	(581)	–	48,563
Current liabilities									
Trade and other payables	(26,862)	–	544	–	1,622	1,436	–	(1,210)	(24,470)
Corporation tax liabilities	–	–	–	–	–	(2,487)	–	–	(2,487)
	(26,862)	–	544	–	1,622	(1,051)	–	(1,210)	(26,957)
Net current assets	**21,231**	**–**	**544**	**–**	**1,622**	**–**	**(581)**	**(1,210)**	**21,606**
Non-current liabilities									
Deferred tax liabilities	–	–	–	(383)	–	–	(175)	–	(558)
Total liabilities	(26,862)	–	544	(383)	1,622	(1,051)	(175)	(1,210)	(27,515)
Net assets	**31,142**	**396**	**544**	**(383)**	**1,622**	**–**	**–**	**(1,210)**	**32,111**
Called-up share capital	16,935	–	–	–	–	–	–	–	16,935
Share premium account	77,816	–	–	–	–	–	–	–	77,816
Other reserves	(74,034)	–	–	–	–	–	–	–	(74,034)
Own shares held	(8,232)	–	–	–	–	–	–	–	(8,232)
Foreign exchange reserves	(481)	–	–	–	–	–	–	–	(481)
Retained earnings	19,138	396	544	(383)	1,622	–	–	(1,210)	20,107
Total equity	**31,142**	**396**	**544**	**(383)**	**1,622**	**–**	**–**	**(1,210)**	**32,111**

Notes to the reconciliation of equity at 31 December 2004

1. **Goodwill**
   In accordance with IFRS 3, the goodwill that arose prior to 1 January 2004 was amortised until that date. From 1 January 2004 the goodwill was no longer amortised on an annual basis, but rather subjected to an impairment test on that date and all subsequent reporting periods. Accordingly, the goodwill of £396,000 that was reported as amortised in the year ended 31 December 2004 under UK GAAP has therefore been reversed.

2. **Share schemes**
   IFRS 2 requires that a charge in respect of the Executive Share Option Scheme (ESOS) and the Performance Share Plan (PSP) is made to the Income Statement. Whilst there was no charge in respect of the ESOS under UK GAAP, a charge was incurred in 2004 based upon the full value of the PSP awards. As IFRS requires that the charge in respect of the PSP awards be discounted by a certain percentage in relation to the estimated difficulty of achieving the performance targets, the overall impact is a reduction in the prior year charge.

3. **Deferred tax liability on overseas earnings**
   It is likely that overseas earnings will be repatriated to the Company in the foreseeable future in the form of dividends. As withholding taxes will be applied to such earnings in a number of jurisdictions, a deferred tax liability has been raised in respect of this future obligation in accordance with IAS 12.

4. **Dividends**
   The proposed final dividend payment for 2004 of £1,622,000 was previously treated as a liability in 2004 and accordingly included within current liabilities. In accordance with IAS 10, as the 2004 dividend was subject to ratification after the year end at the AGM, it is not classified as a liability at 31 December 2004 and has therefore been reversed.

5. **Tax liabilities**
   A tax liability of £1,436,000 was previously included within current liabilities and disclosed within a note to the accounts, but in accordance with IAS 1, this amount has been shown on the face of the Balance Sheet. Similarly, individual corporation tax receivable balances of £1,051,000 that were previously offset have been shown.

6. **Deferred tax asset**
   A net deferred tax asset of £581,000 was previously included within current assets. In accordance with IAS 12, the net balance of £581,000 has been reclassified as both a deferred tax asset of £756,000, and also as a deferred tax liability of £175,000.

7. **IFRS financial liabilities**
   A net adjustment of £1,210,000 includes holiday pay provision, the remeasurement of certain financial liabilities in accordance with IAS 39 and adjustments relating to property leases.

notes to the accounts *continued*

Reconciliation of profit for the year ended 31 December 2004 (£'000)

	UK GAAP	EFFECT OF TRANSITION TO IFRSs (NOTES)						IFRSs
		1	2	3	4	5	6	
Revenue	**188,235**	**–**	**–**	**–**	**–**	**–**	**–**	**188,235**
Cost of sales	(121,212)	–	–	–	–	–	–	(121,212)
Gross profit	**67,023**	**–**	**–**	**–**	**–**	**–**	**–**	**67,023**
Goodwill	(396)	396	–	–	–	–	–	–
Other administrative expenses	(59,519)	–	252	–	–	–	245	(59,022)
Administrative expenses	(59,915)	396	252	–	–	–	245	(59,022)
Operating profit	**7,108**	**396**	**252**	**–**	**–**	**–**	**245**	**8,001**
Finance income	135	–	–	–	–	(135)	–	–
Interest received	–	–	–	–	–	281	–	281
Loss on foreign exchange	–	–	–	–	–	(146)	–	(146)
Profit on ordinary activities before taxation	**7,243**	**396**	**252**	**–**	**–**	**–**	**245**	**8,136**
Tax on profit on ordinary activities	(2,987)	–	–	(180)	–	–	–	(3,167)
Profit on ordinary activities after taxation	**4,256**	**396**	**252**	**(180)**	**–**	**–**	**245**	**4,969**
Dividends	(2,433)	–	–	–	(62)	–	–	(2,495)
Retained profit for the year	**1,823**	**396**	**252**	**(180)**	**(62)**	**–**	**245**	**2,474**

Notes to the reconciliation of profit for the year ended 31 December 2004

1. **Goodwill**
   In accordance with IFRS 3, the goodwill that arose prior to 1 January 2004 was amortised until that date. From 1 January 2004 the goodwill was no longer amortised on an annual basis, but rather subjected to an impairment test on that date and all subsequent reporting periods. Accordingly, the goodwill of £396,000 that was reported as amortised in the year ended 31 December 2004 under UK GAAP has therefore been reversed.

2. **Share schemes**
   IFRS 2 requires that a charge in respect of the Executive Share Option Scheme (ESOS) and the Performance Share Plan (PSP) is made to the Income Statement. Whilst there was no charge in respect of the ESOS under UK GAAP, a charge was incurred in 2004 based upon the full value of the PSP awards. As IFRS requires that the charge in respect of the PSP awards be discounted by a certain percentage in relation to the estimated difficulty of achieving the performance targets, the overall impact is a reduction in the prior year charge.

3. **Deferred tax liability on overseas earnings**
   It is likely that overseas earnings will be repatriated to the Company in the foreseeable future in the form of dividends. As withholding taxes will be applied to such earnings in a number of jurisdictions, a deferred tax liability has been raised in respect of this future obligation in accordance with IAS 12.

4. **Dividends**
   The Balance Sheets as at 1 January 2004 and 31 December 2004 were adjusted by £1,684,000 and £1,622,000 respectively in respect of the year end dividend in accordance with IAS 10. As a direct consequence, the dividend distribution for the year ended 31 December 2004 has increased by £62,000.

5. **Disclosure of interest and finance costs**
   There is a requirement that these items should be shown separately on the face of the Income Statement, with a consequential reclassification of £281,000.

6. **IFRS financial liabilities**
   A net adjustment of £245,000 arises from a partial release of the opening IFRS adjustment of £1,455,000, which includes holiday pay provisions, the remeasurement of certain financial liabilities in accordance with IAS 39 and adjustments relating to property leases.

company accounts
statement of directors' responsibilities

Accounts, including adoption of going concern basis
Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

In preparing the accounts, the Directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent; and

– state whether applicable accounting standards have been followed.

Other matters
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Report of the Directors on their review of the affairs of the Company is included on page 12.

independent auditors' report to the members of Robert Walters plc

We have audited the individual company accounts of Robert Walters plc for the year ended 31 December 2005 which comprise the balance sheet, the statement of company accounting policies and the related notes 1 to 10. These individual company accounts have been prepared under the accounting policies set out therein.

The corporate governance statement and the report of the Remuneration Committee are included in the Group annual report of Robert Walters plc for the year ended 31 December 2005. We have reported separately on the Group financial statements of Robert Walters plc for the year ended 31 December 2005 and on the information in the report of the Remuneration Committee that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the individual company accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the individual company accounts in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the individual company accounts give a true and fair view in accordance with the relevant financial reporting framework and whether the individual company accounts have been properly prepared in accordance with the Companies Act 1985. We report to you if, in our opinion, the Directors' report is not consistent with the individual company accounts. We also report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the individual company accounts.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the individual company accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the individual company accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the individual company accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the individual company accounts.

Opinion

In our opinion:

– the individual company accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005;

– the individual company accounts have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
25 February 2006

company balance sheet

AS AT 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Non-current assets			
Investments	1	178,879	178,879
		178,879	178,879
Current assets			
Trade and other receivables	3	11,977	8,189
Total assets		190,856	187,068
Current liabilities			
Trade and other payables	4	(86,797)	(86,398)
Bank loan	5	(1,641)	–
Net current liabilities		**(88,438)**	(86,398)
Non-current liabilities			
Bank loan	5	(2,908)	–
Total liabilities		(91,346)	(86,398)
Net assets		**99,510**	100,670
Equity			
Called-up share capital	6	16,946	16,935
Share premium account	7	77,846	77,816
Treasury shares held		(4,786)	–
Retained earnings	7	9,504	5,919
Total equity		**99,510**	100,670

The accounts on pages 54 to 59 were approved by the Board of Directors on 25 February 2006 and signed on its behalf by:

IAN NASH
Group Finance Director

statement of company accounting policies

Accounting Policies
The principal accounting policies of the Company are summarised below and have been applied consistently in all aspects throughout the current year and the preceding year with the exception of Financial Reporting Standards (FRS) 20 to 28. The only standard which required a restatement of corresponding amounts was FRS 21 'Events after the balance sheet date'. The proposed final dividend payment for 2003 of £1,684,000 was previously treated as a liability in 2003 and accordingly included within current liabilities. In accordance with FRS 21, as the 2003 dividend was subject to ratification after the year end at the AGM, it is not classified as a liability at 31 December 2003 and has therefore been reversed.

a) Basis of accounting
The separate financial statements of the Company are presented as required by the Companies Act 1985.

The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and law.

b) Foreign currency
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and the results of overseas operations are dealt with through reserves.

c) Investments
Investments are shown at cost less provision for impairment where appropriate.

notes to the company accounts

1. Fixed asset investments

	TOTAL £'000
Company	
Cost and carrying value:	
At 1 January 2005 and 31 December 2005	**178,879**

2. Principal Company investments

Details of principal Company investments existing as at 31 December 2005 are as follows:

	PERCENTAGE OF ORDINARY SHARES	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION
Subsidiary undertaking			
Robert Walters Pty Limited	100%	Recruitment consultancy	Australia
Robert Walters SA	100%	Recruitment consultancy	Belgium
Walters Interim SA	100%	Recruitment consultancy	Belgium
Robert Walters SARL	100%	Recruitment consultancy	France
Walters Interim	100%	Recruitment consultancy	France
Robert Walters (Hong Kong) Limited	100%	Recruitment consultancy	Hong Kong
Robert Walters Limited	100%	Recruitment consultancy	Ireland
Robert Walters Japan KK	100%	Recruitment consultancy	Japan
Robert Walters BV	100%	Recruitment consultancy	Netherlands
Robert Walters New Zealand Limited	100%	Recruitment consultancy	New Zealand
Robert Walters (Singapore) Pte Limited	100%	Recruitment consultancy	Singapore
Resource Solutions Limited	100%	HR outsourcing services	United Kingdom
Resource Solutions Consultancy Services Limited	100%	HR outsourcing services	United Kingdom
Robert Walters Operations Limited *	100%	Recruitment consultancy	United Kingdom
Resource Solutions Inc.	100%	HR outsourcing services	USA
Robert Walters Associates Inc.	100%	Recruitment consultancy	USA
Other investments			
Merryck and Co Limited	4.5%	CEO business mentoring	United Kingdom

* Directly held by the Company. Robert Walters plc is incorporated and domiciled in the United Kingdom.

3. Trade and other receivables

	COMPANY	
	2005 £'000	2004 £'000
Amounts due from subsidiaries	11,977	8,189
	11,977	8,189

4. Trade and other payables: amounts falling due within one year

	COMPANY	
	2005 £'000	2004 £'000
Amounts due to subsidiaries	86,794	86,369
Dividends proposed and payable	3	29
	86,797	86,398

5. Bank loan

	COMPANY	
	2005 £'000	2004 £'000
Bank loan	2,908	–
	2,908	–
The borrowings are repayable as follows:		
Within one year	1,641	–
In the second year	1,656	–
In the third to fifth year inclusive	1,252	–
	4,549	–
Less: amount due for settlement within 12 months (shown under current liabilities)	(1,641)	–
Amount due for settlement after 12 months	**2,908**	–

A Japanese Yen denominated bank loan of £5,000,000 was taken out on 24 October 2005 at a fixed interest rate of 1.78% per annum and thus exposes the Company to fair value interest rate risk. Repayments are quarterly until 16 September 2008 and the Directors estimate that the fair value of all borrowings is not materially different from the amounts stated in the Balance Sheet of £4,549,000 (2004: £nil).

The loan is secured against the main trading operations of the Company.

notes to the company accounts
continued

6. Called-up share capital

	2005 NUMBER	2004 NUMBER	2005 £'000	2004 £'000
Authorised				
Ordinary shares of 20p each	200,000,000	200,000,000	40,000	40,000
Allotted, called-up and fully paid				
Ordinary shares of 20p each	84,731,927	84,676,927	16,946	16,935

The called-up share capital of the Company was increased on 16 March 2005 due to the issue of 55,000 new shares in accordance with obligations in respect of the Executive Share Option Scheme.

The Company has one class of ordinary shares which carry no right to fixed income.

Disclosures in relation to the Company's share incentive schemes are set out in note 18 on page 40 of the Group's accounts.

7. Reserves

Company	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	TREASURY SHARES HELD £'000	RETAINED EARNINGS £'000	TOTAL £'000
Shareholders' funds at January 2005	16,935	77,816	–	5,919	100,670
Shares issued	11	30	–	–	41
Own shares purchased	–	–	(4,786)	–	(4,786)
Retained profit for the year	–	–	–	3,585	3,585
Shareholders' funds at 31 December 2005	**16,946**	**77,846**	**(4,786)**	**9,504**	**99,510**

The Company has elected not to present its own profit and loss account as permitted by section 230 of the Companies Act 1985. Robert Walters plc reported a profit for the year of £3.6m (2004: loss of £2.4m).

£4.7m of the retained earnings of the Company represents distributable reserves.

Auditors' remuneration in respect of the Company was £50,000 (2004: £50,000).

8. Commitments

The Company has no finance lease commitments (2004: £nil).

There are no capital commitments for the Company (2004: £nil).

9. Related party transactions

There were no related party transactions in the year to 31 December 2005 (2004: £nil), other than the receipt of a £6,000,000 dividend from a subsidiary. The Company has taken advantage of the exemption in FRS 8 'Related party disclosures' from disclosing transactions with other members of the Group.

10. Contingent liabilities

The Company has issued a parent guarantee to secure banking facilities for its Australian operations.

The Company has no other contingent liabilities as at 31 December 2005 (2004: £nil).

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