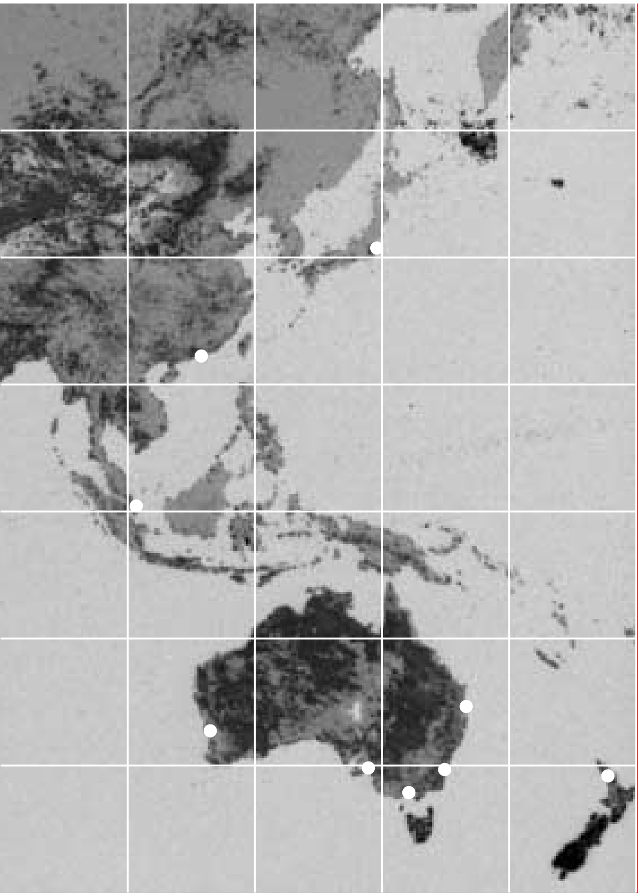
robert walters plc

interim results 2005

ROBERT WALTERS


Robert Walters operates 23 offices in 13 countries
Australia
Belgium
France
Hong Kong
Ireland
Japan
Luxembourg
Netherlands
New Zealand
Singapore
South Africa
United Kingdom
United States

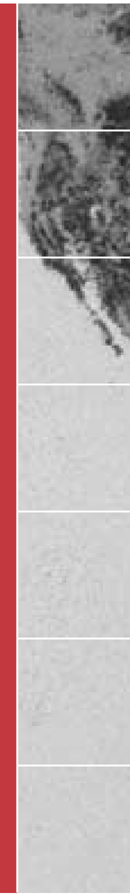


Robert Walters is one of the world's leading professional recruitment consultancies, specialising in the placement of permanent, contract and temporary positions across all levels of seniority.

Established in 1985, the Group specialises in the accounting, finance, banking, IT, human resources, legal, sales and marketing, 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 US.



‘Net fee income continued to increase quarter on quarter.’

chairman's statement

I am pleased to report excellent results for the Group for the six months ended 30 June 2005.

These results are our first prepared under International Financial Reporting Standards (IFRS). The impact on the Group of the application of IFRS has been minimal and is detailed in notes 9 and 10.

In the first half, revenue was £106.5m (2004: £82.2m) producing a 33% increase in gross profit ('net fee income') to £41.0m (2004: £30.8m). Operating profit increased by 65% to £5.1m (2004: £3.1m) while profit before tax rose by 63% to £4.9m (2004: £3.0m).

Net fee income continued to increase quarter on quarter. There was strong growth in net fee income from permanent recruitment (+35%) as well as from temporary recruitment (+40%). The gross margin on temporary recruitment also increased over the period.

The increases in productivity that we have achieved together with our continued investment in people which has seen staff numbers rise to 1,050 (2004: 863) has underpinned the strong trading performance of the Group. We have invested in increased office space in six of our locations to accommodate the additional headcount and to facilitate future growth. We have also recently opened new offices in Birmingham and Rotterdam.

United Kingdom

Revenue in the UK was £57.0m (2004: £44.6m) and net fee income increased by 26% to £18.2m (2004: £14.4m). This produced an operating profit of £0.9m (2004: £0.7m).

Net fee income increased across all of our UK businesses with the most significant growth in our core Finance and Accounting business, which we continue to develop on a regional basis.

We have made two significant investments that have affected the UK results. Firstly, we have commenced implementation in the UK of an improved front office recruitment system which will then be rolled out worldwide. This programme has impacted profit by £254,000 in the first half of 2005 and is expected to have a similar effect in the second half. Secondly, we have further invested in our outsourcing business, Resource Solutions, to broaden the client base from financial services where we have experienced pressure on our margins.

Continental Europe

Revenue was £9.6m (2004: £5.1m), net fee income increased by 90% to £5.5m (2004: £2.9m) and operating profit increased nine-fold to £0.9m (2004: £0.1m).

As predicted, our Continental European operations performed strongly in the first half of the year. In France and the Netherlands, we experienced exceptional growth with our Belgian operation also making very good progress. In France, we launched the Walters Interim brand in 2004 to provide contractors in finance and accounting. This business has exceeded our expectations by achieving profitability within its first six months of operation and will be launched in Belgium later this year.

We look forward to continued growth in this region.

Asia Pacific

Revenue was £36.9m (2004: £30.8m), net fee income increased by 25% to £14.7m (2004: £11.8m) and operating profit increased by 42% to £3.4m (2004: £2.4m).

We believe that this diverse region, already the most profitable within the Group, is one of huge potential. Our largest business within this region, Australia, continued to perform well with further

chairman's statement (continued)

increases in net fee income and profitability. Our Japanese office performed strongly. It continued its aggressive hiring programme and we have invested in additional office space which will offer considerable scope for further expansion. Our remaining operations in Hong Kong, Singapore and New Zealand also performed excellently.

Other International

Other International comprises the USA, Ireland and South Africa. Revenue was £3.0m (2004: £1.8m) and net fee income increased to £2.5m (2004: £1.6m) producing an operating loss of £0.1m (2004: £0.1m loss).

Following our investment in headcount in 2004, our Dublin office is now profitable and offers an excellent platform for future growth. We have invested in the USA in both additional staff and an enlarged office space and we look forward to a return on this investment. Our Johannesburg office has made good progress and we expect a return to profitability in the second half of 2005.

Cash flow

The Group ended the period with £5.9m net cash (31 December 2004: £9.7m).

Operating activities generated £2.0m (2004: £1.2m) after funding a £4.1m increase in working capital reflecting increased activity. Tax paid was £2.3m and capital expenditure £2.0m.

Dividend

The Board has decided to maintain the interim dividend at 1.05p per share. As an additional way of returning cash to shareholders, the Group will be embarking upon a programme of share repurchases.

The interim dividend will be paid on 28 October 2005 to those shareholders on the Company's register on 16 September 2005.

Current trading and prospects

After the excellent performance in the first half of 2005, the second half has started well and we look forward to a strong outcome for the year as a whole. Our continued investment in our global operations confirms us as a major international operator within the recruitment sector which, coupled with a worldwide shortage of professionals, leaves the Group well placed to continue to grow its profitability.

TIMOTHY BARKER
Chairman

2 September 2005

consolidated income statement

	Notes	2005 6 mths to 30 June Unaudited £'000	2004 6 mths to 30 June Unaudited £'000	2004 12 mths to 31 December Audited £'000
Revenue	3	**106,481**	**82,247**	**188,235**
Cost of sales		(65,499)	(51,496)	(121,212)
Gross profit	3	**40,982**	**30,751**	**67,023**
Administrative expenses		(35,917)	(27,619)	(59,022)
Operating profit	3	**5,065**	**3,132**	**8,001**
Net finance (expenditure) income		(188)	(137)	135
Profit on ordinary activities before taxation		**4,877**	**2,995**	**8,136**
Corporation tax	4	(1,952)	(1,405)	(3,167)
Profit on ordinary activities after taxation		**2,925**	**1,590**	**4,969**
Dividends	5	(1,628)	(1,684)	(2,495)
Retained profit (loss) for the period		**1,297**	**(94)**	**2,474**
Earnings per share (pence):	6			
Basic		3.8	2.0	6.4
Diluted		3.5	1.9	6.0

consolidated statement of recognised income and expense

	2005 6 mths to 30 June Unaudited £'000	2004 6 mths to 30 June Unaudited £'000	2004 12 mths to 31 December Audited £'000
Profit for the period	2,925	1,590	4,969
Foreign currency translation differences	333	(557)	(407)
Total recognised income and expense for the period	**3,258**	**1,033**	**4,562**

consolidated balance sheet

	2005 30 June Unaudited £'000	2004 30 June Unaudited £'000	2004 31 December Audited £'000
Non-current assets			
Goodwill	6,847	6,847	6,847
Property, plant and equipment	4,783	3,196	3,460
Deferred tax asset	756	161	756
	12,386	**10,204**	**11,063**
Current assets			
Trade and other receivables	43,004	30,123	37,800
Corporation tax receivables	1,037	960	1,051
Cash and cash equivalents	9,044	13,642	9,712
	53,085	44,725	48,563
Total assets	65,471	54,929	59,626
Current liabilities			
Trade and other payables	(25,758)	(23,719)	(24,470)
Corporation tax liabilities	(2,093)	(1,177)	(2,487)
Bank overdrafts	(3,171)	–	–
	(31,022)	(24,896)	(26,957)
Net current assets	**22,063**	**19,829**	**21,606**
Non-current liabilities			
Deferred tax liabilities	(667)	(640)	(558)
Total liabilities	(31,689)	(25,536)	(27,515)
Net assets	**33,782**	**29,393**	**32,111**
Equity			
Share capital	16,946	16,935	16,935
Share premium	77,846	77,816	77,816
Other reserves	(74,034)	(74,034)	(74,034)
Own shares held	(8,232)	(8,232)	(8,232)
Foreign exchange reserves	(148)	(631)	(481)
Retained earnings	21,404	17,539	20,107
Total equity	**33,782**	**29,393**	**32,111**

consolidated cash flow statement

	Notes	2005 6 mths to 30 June Unaudited £'000	2004 6 mths to 30 June Unaudited £'000	2004 12 mths to 31 December Audited £'000
Cash generated from operating activities	7	**1,954**	**1,177**	**1,067**
Income taxes paid		(2,347)	(1,046)	(1,707)
Net cash from operating activities		**(393)**	**131**	**(640)**
Investing activities				
Interest (paid) received		(14)	137	281
Capital expenditure and financial investment		(1,970)	(386)	(1,162)
Net cash used in investing activities		(1,984)	(249)	(881)
Financing activities				
Equity dividends paid		(1,662)	(1,654)	(2,467)
Proceeds on issue of shares		41	–	–
Purchase of own shares		–	–	(1,884)
Net cash used in financing activities		(1,621)	(1,654)	(4,351)
Net decrease in cash and cash equivalents		**(3,998)**	**(1,772)**	**(5,872)**
Cash and cash equivalents at beginning of the period		9,712	15,915	15,915
Effect of foreign exchange rate changes		159	(501)	(331)
		5,873	**13,642**	**9,712**
Cash and cash equivalents at end of the period				
Bank balances and cash		9,044	13,642	9,712
Bank overdrafts		(3,171)	–	–
		5,873	**13,642**	**9,712**

movement in equity

	2005 6 mths to 30 June Unaudited £'000	2004 6 mths to 30 June Unaudited £'000	2004 12 mths to 31 December Audited £'000
Profit for the period	2,925	1,590	4,969
Foreign currency translation differences	333	(557)	(407)
Total recognised income and expense for the period	3,258	1,033	4,562
Dividend	(1,628)	(1,684)	(2,495)
Own shares purchased	–	(1,884)	(1,884)
New shares issued	41	–	–
Net increase (reduction) in equity	**1,671**	**(2,535)**	**183**
Opening equity	32,111	31,928	31,928
Closing equity	**33,782**	**29,393**	**32,111**

notes to the financial information

1. Accounting policies

Basis of preparation

The interim financial report has been prepared in accordance with the historic cost convention and also, for the first time, with the International Financial Reporting Standards, including International Accounting Standards and Interpretations (IFRSs) because they will form part of the period covered by the Group's first IFRS financial statements for the year ended 31 December 2005.

The report has been prepared in accordance with those IFRSs in issue that are, or are expected to be, endorsed by the EU and effective (or available for early adoption) at 31 December 2005. The IFRSs that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements. Accordingly, the accounting policies will be determined finally only when the annual financial statements are prepared for the year ending 31 December 2005.

1. Accounting policies (continued)

The Group has elected to use the following exemptions, available under IFRS 1 'First time adoptions of International Financial Reports Standards':

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

- 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 changes to the UK GAAP policies and have been consistently applied to all the periods presented, and the comparative figures in respect of 2004 have been restated to reflect IFRS adjustments. Notes 9 and 10 include reconciliations and explanations concerning the transition from UK GAAP to IFRSs.

a) 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 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.

b) 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.

1. Accounting policies (continued)

c) Employee share schemes

The cost of awards made under the Group's employee share schemes 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.

d) 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.

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.

2. Financial information

The financial information on pages 5 to 23 was formally approved by the Board of Directors on 2 September 2005. The financial information set out in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts prepared under UK GAAP for the year ended 31 December 2004 for Robert Walters plc, on which the auditors gave an unqualified report, have been delivered to the Registrar of Companies.

The financial information in respect of the period ended 30 June 2005 is unaudited but has been reviewed by the Company's auditors. Their report is attached on page 24. The financial information in respect of the period ended 30 June 2004 is unaudited.

3. Segmental information

		2005 6 mths to 30 June Unaudited £'000	2004 6 mths to 30 June Unaudited £'000	2004 12 mths to 31 December Audited £'000
i)	**Revenue:**			
	UK	56,963	44,595	102,262
	Continental Europe	9,576	5,059	11,942
	Asia Pacific	36,940	30,791	69,975
	Other	3,002	1,802	4,056
		106,481	**82,247**	**188,235**
ii)	**Gross profit:**			
	UK	18,243	14,446	31,457
	Continental Europe	5,536	2,887	6,643
	Asia Pacific	14,702	11,848	25,541
	Other	2,501	1,570	3,382
		40,982	**30,751**	**67,023**
iii)	**Profit on ordinary activities before interest and tax:**			
	UK	879	689	2,187
	Continental Europe	875	103	397
	Asia Pacific	3,420	2,423	5,335
	Other	(109)	(83)	82
	Operating profit	**5,065**	**3,132**	**8,001**
	Net finance (expenditure) income	(188)	(137)	135
	Profit on ordinary activities before tax	**4,877**	**2,995**	**8,136**
iv)	**Revenue by business grouping:**			
	Robert Walters	101,830	78,069	179,451
	Resource Solutions	4,651	4,178	8,784
		106,481	**82,247**	**188,235**

The Group is divided into geographical areas for management purposes, and it is on this basis that the primary segmental information has been prepared.

notes to the financial information (continued)

4. Corporation tax

	2005 6 mths to 30 June Unaudited £'000	2004 6 mths to 30 June Unaudited £'000	2004 12 mths to 31 December Audited £'000
UK	454	538	781
Overseas	1,448	779	2,646
	1,902	**1,317**	**3,427**
Deferred tax	50	88	(260)
Total taxation	**1,952**	**1,405**	**3,167**

The charge for taxation is based on the expected annual tax rate of 40% (2004: 42%) on profit before tax. The effective rate of tax is high due to a number of factors, including overseas profits subject to higher taxation and disallowables.

5. Dividends

	2005 6 mths to 30 June Unaudited £'000	2004 6 mths to 30 June Unaudited £'000	2004 12 mths to 31 December Audited £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for 2004 of 2.1p (2003: 2.1p)	1,628	1,684	1,684
Interim dividend for 2004 of 1.05p (2003: 1.05p)	–	–	811
	1,628	**1,684**	**2,495**
Proposed interim dividend for 2005 of 1.05p (2004: 1.05p)	812	811	811

The total amount of the proposed interim dividend is higher than in June 2004 due to the issue of 55,000 new shares in accordance with Company obligations in respect of the Executive Share Option Scheme on 16 March 2005. The proposed interim dividend was approved by the Board on 2 September 2005 and has not been included as a liability at 30 June 2005.

6. Earnings per share

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

	2005 6 mths to 30 June Unaudited	2004 6 mths to 30 June Unaudited	2004 12 mths to 31 December Audited
Weighted average number of shares:			
Shares in issue	84,709,316	84,676,927	84,676,927
Own shares held	(7,445,560)	(5,945,560)	(6,701,724)
For basic earnings per share	**77,263,756**	**78,731,367**	**77,975,203**
Outstanding share options	6,552,363	4,694,164	4,643,560
For diluted earnings per share	**83,816,119**	**83,425,531**	**82,618,763**

7. Analysis of cash flow

Reconciliation of operating profit to net cash from operating activities:	2005 6 mths to 30 June Unaudited £'000	2004 6 mths to 30 June Unaudited £'000	2004 12 mths to 31 December Audited £'000
Operating profit for the period	**5,065**	**3,132**	**8,001**
Adjustments for:			
Depreciation of property, plant and equipment	544	587	1,128
Loss on disposal of property, plant and equipment	103	22	42
Movement in net deferred tax and share scheme balances	344	113	112
Operating cash flows before movements in working capital	**6,056**	**3,854**	**9,283**
Increase in receivables	(5,190)	(6,963)	(14,465)
Increase in payables	1,088	4,286	6,249
Cash generated from operations	**1,954**	**1,177**	**1,067**

8. Registered office

The Company's registered office is located at 55 Strand, London, WC2N 5WR.

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

This is the first year that the Company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last 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.

notes to the financial information (continued)

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 financial information (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.

10. Explanation of transition to IFRSs for the interim period ended 30 June 2004

This is the first year that the Company has presented its interim financial statements under IFRS. The following disclosures are required in the year of transition:

Reconciliation of equity at 30 June 2004 (£'000)

	UK GAAP	Effect of transition to IFRSs (Notes)							IFRSs
		1	2	3	4	5	6	7	
Non-current assets									
Goodwill	6,649	198	–	–	–	–	–	–	6,847
Property, plant and equipment	3,196	–	–	–	–	–	–	–	3,196
Deferred tax asset	–	–	–	–	–	–	161	–	161
	9,845	**198**	**–**	**–**	**–**	**–**	**161**	**–**	**10,204**
Current assets									
Trade and other receivables	30,123	–	–	–	–	–	–	–	30,123
Corporation tax receivables	–	–	–	–	–	960	–	–	960
Cash and cash equivalents	13,642	–	–	–	–	–	–	–	13,642
	43,765	–	–	–	–	960	–	–	44,725
Current liabilities									
Trade and other payables	(23,540)	–	350	–	811	217	–	(1,557)	(23,719)
Corporation tax liabilities	–	–	–	–	–	(1,177)	–	–	(1,177)
	(23,540)	–	350	–	811	(960)	–	(1,557)	(24,896)
Net current assets	**20,225**	**–**	**350**	**–**	**811**	**–**	**–**	**(1,557)**	**19,829**
Non-current liabilities									
Deferred tax liabilities	(188)	–	–	(291)	–	–	(161)	–	(640)
Total liabilities	(23,728)	–	350	(291)	811	(960)	(161)	(1,557)	(25,536)
Net assets	**29,882**	**198**	**350**	**(291)**	**811**	**–**	**–**	**(1,557)**	**29,393**
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	(631)	–	–	–	–	–	–	–	(631)
Retained earnings	18,028	198	350	(291)	811	–	–	(1,557)	17,539
Total equity	**29,882**	**198**	**350**	**(291)**	**811**	**–**	**–**	**(1,557)**	**29,393**

Notes to the reconciliation of equity at 30 June 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 £198,000 that was reported as amortised in the six month period ended 30 June 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 interim dividend payment for 2004 of £811,000 was previously treated as a liability in the six months ended 30 June 2004 and accordingly included within current liabilities. In accordance with IAS 10, as the interim 2004 dividend was subject to ratification after 30 June 2004, it is not classified as a liability at 30 June 2004 and has therefore been reversed.

5. **Tax liabilities**

   A tax liability of £217,000 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 £960,000 that were previously offset have been shown.

6. **Deferred tax asset**

   A deferred tax asset of £161,000 was previously included within the deferred tax liability balance but, in accordance with IAS 12, has been reclassified as a non-current deferred tax asset.

7. **IFRS financial liabilities**

   A net adjustment of £1,557,000 includes holiday pay provisions, the remeasurement of certain financial liabilities in accordance with IAS 39 and adjustments relating to property leases.

notes to the financial information (continued)

Reconciliation of profit for interim results to 30 June 2004 (£'000)

	UK GAAP	Effect of transition to IFRSs (Notes)						IFRSs
		1	2	3	4	5	6	
Revenue	**82,247**	**–**	**–**	**–**	**–**	**–**	**–**	**82,247**
Cost of sales	(51,496)	–	–	–	–	–	–	(51,496)
Gross profit	**30,751**	**–**	**–**	**–**	**–**	**–**	**–**	**30,751**
Goodwill	(198)	198	–	–	–	–	–	–
Other administrative expenses	(27,575)	–	58	–	–	–	(102)	(27,619)
Administrative expenses	(27,773)	198	58	–	–	–	(102)	(27,619)
Operating profit	**2,978**	**198**	**58**	**–**	**–**	**–**	**(102)**	**3,132**
Finance income	(137)	–	–	–	–	137	–	–
Interest received	–	–	–	–	–	200	–	200
Loss on foreign exchange	–	–	–	–	–	(337)	–	(337)
Profit on ordinary activities before taxation	**2,841**	**198**	**58**	**–**	**–**	**–**	**(102)**	**2,995**
Tax on profit on ordinary activities	(1,317)	–	–	(88)	–	–	–	(1,405)
Profit on ordinary activities after taxation	**1,524**	**198**	**58**	**(88)**	**–**	**–**	**(102)**	**1,590**
Dividends	(811)	–	–	–	(873)	–	–	(1,684)
Retained profit (loss) for the period	**713**	**198**	**58**	**(88)**	**(873)**	**–**	**(102)**	**(94)**

Notes to the reconciliation of profit for the six month period ended 30 June 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 £198,000 that was reported as amortised in the six month period ended 30 June 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**

   In accordance with IAS 10, as the 2004 interim dividend was subject to ratification after 30 June 2004 and it is no longer treated as a distribution during the first six months of 2004. As the final dividend of £1,684,000 for the year ended 31 December 2003 was approved at the Annual General Meeting on 13 May 2004, this amount has been reflected as a distribution during the period.

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.

6. **IFRS financial liabilities**

   A net adjustment of £102,000 arises from an increase in 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.

independent review report to robert walters plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement, the movement in equity and related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Deloitte & Touche LLP
Chartered Accountants
London
2 September 2005

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