

robert walters plc
interim results 2006

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.

Robert Walters operates 27 offices in 14 countries:



contents

02	financial highlights
03	chairman's and chief executive officer's statement
05	consolidated income statement
05	consolidated statement of recognised income and expense
06	consolidated balance sheet
07	consolidated cash flow statement
08	movement in equity
08	notes to the financial information
12	independent review report

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

Resource Solutions, the Group's recruitment process outsourcing business, is a leading provider of on-site recruitment services.



financial highlights

revenue up 22%

to £129.4m

2005 £106.5m

net fee income up 28%

to £52.5m

2005 £41.0m

operating profit up 58%

to £8.0m

2005 £5.1m

profit before tax up 66%

to £8.1m

2005 £4.9m

earnings per share up 103%

to 7.7p

2005 3.8p

interim dividend increased

to 1.15p

2005 1.05p



chairman's and chief executive officer's statement

We are pleased to report another set of excellent results for the Group for the six months ended 30 June 2006. In the first half, revenue was £129.4m (2005: £106.5m) producing a 28% increase in gross profit ('net fee income') to £52.5m (2005: £41.0m). Operating profit increased by 58% to £8.0m (2005: £5.1m) whilst profit before tax rose by 66% to £8.1m (2005: £4.9m). Earnings per share has increased by 103% to 7.7p (2005: 3.8p).

As the recruitment market for professional staff continued its momentum, the Group increased net fee income quarter on quarter with particularly strong growth in permanent recruitment (+41%) reflecting an increased level of client confidence in permanent solutions to their recruitment needs. Temporary recruitment also grew but at a more moderate rate (+17%). It is particularly encouraging to report that all regions across the world significantly increased their profitability during the period.

The Group continues to invest in our business and our people. During the first half of the year, staff numbers rose to 1,176 (2005: 1,050) and new offices were opened in Eindhoven, Kuala Lumpur, Lyon and Wellington. We believe that the Group is well positioned for further growth within existing locations and we have committed to research new markets such as China, India and Southern Europe.

Despite this continuing investment it is encouraging to see further improvement in productivity and a 23% increase in our ability to turn net fee income into operating profit over the same period last year.

United Kingdom

Revenue in the UK was £64.5m (2005: £57.0m) and net fee income increased by 15% to £20.9m (2005: £18.2m). Operating profit increased by 82% to £1.6m (2005: £0.9m).

The investments made in 2005 have had a positive effect, contributing to an increased operating profit. Our core discipline, Finance and Accounting, grew strongly and is benefiting from the acute shortage of professionals. Our ability to use our global footprint to source and deliver candidates to our clients has provided us with a distinct competitive advantage.

Among our smaller businesses, HR and Legal performed well and grew net fee income strongly whilst IT remained flat. Resource Solutions, our profitable recruitment outsourcing business, continued to broaden its client base outside financial services.

Continental Europe

Revenue was £14.6m (2005: £9.6m) and net fee income increased by 57% to £8.7m (2005: £5.5m). Operating profit increased by 60% to £1.4m (2005: £0.9m).

All our Continental European operations produced strong growth in net fee income, with an excellent performance from our business in France. Walters Interim, our clerical recruitment brand established recently in France and Belgium, continued to increase both net fee income and profitability and offers excellent scope for future development.

To capitalise on the opportunities we believe this region presents, we have increased our investment with two new offices and a 35% increase in headcount.

chairman's and chief executive officer's statement *continued*

Asia Pacific

Revenue was £46.0m (2005: £36.9m) and net fee income increased by 33% to £19.6m (2005: £14.7m). Operating profit increased by 40% to £4.8m (2005: £3.4m).

This diverse region continues to be the Group's most profitable and offers huge potential for the future. Our Australasian business, our largest in the region, achieved record net fee income and profit. We saw very strong performances in Japan and Singapore and an exceptional result from our operation in Hong Kong, in part reflecting the continued growth of the Chinese economy.

Our office in Kuala Lumpur opened in April and we expect this business to be profitable by the end of 2007.

Other International

Other International comprises Ireland, South Africa and the USA. Revenue was £4.2m (2005: £3.0m) with net fee income increasing by 32% to £3.3m (2005: £2.5m) resulting in an operating profit of £0.2m (2005: £0.1m loss).

These businesses showed significant progress with all offices growing net fee income and profitability.

Cash flow

The Group ended the period with £2.2m of net cash (30 June 2005: £5.9m, 31 December 2005: £13.6m).

Operating activities generated £0.4m (2005: £2.0m) after funding a £9.1m increase in working capital reflecting increased activity. The Company expended £5.2m on the purchase of its own shares and other significant cash outflows were: £2.5m tax; £1.7m dividend; £1.0m repayment of bank loan; and £0.9m capital expenditure.

Dividend and share buy-back

The Board has decided to increase the interim dividend to 1.15p per share (2005: 1.05p). Additionally, as a way of returning cash to shareholders, the Group purchased 2,180,776 of the Company's own shares during the period at an average price of £2.40 totalling £5.2m.

The interim dividend will be paid on 27 October 2006 to shareholders on the Company's register on 15 September 2006.

Current trading and prospects

Following the excellent performance in the first half of 2006, second half trading remains strong. We see good potential in the markets in which we operate and this leaves the Group well positioned to deliver record operating profits for the full year.



TIMOTHY BARKER

Chairman



ROBERT WALTERS

Chief Executive

1 September 2006

consolidated income statement

	Notes	2006 6 mths to 30 June Unaudited £'000	2005 6 mths to 30 June Unaudited £'000	2005 12 mths to 31 December Audited £'000
Revenue	3	129,379	106,481	234,550
Cost of sales		(76,906)	(65,499)	(146,428)
Gross profit	3	52,473	40,982	88,122
Administrative expenses		(44,463)	(35,917)	(75,110)
Operating profit	3	8,010	5,065	13,012
Interest paid (net)		(68)	(14)	(122)
Gain (loss) on foreign exchange		164	(174)	(197)
Profit on ordinary activities before taxation		8,106	4,877	12,693
Tax on profit on ordinary activities	4	(2,393)	(1,952)	(4,564)
Profit on ordinary activities after taxation		5,713	2,925	8,129
Dividends	5	(1,714)	(1,628)	(2,403)
Retained profit for the period		3,999	1,297	5,726
Earnings per share (pence):	6			
Basic		7.7	3.8	10.6
Diluted		7.2	3.5	10.0

consolidated statement of recognised income and expense

	2006 6 mths to 30 June Unaudited £'000	2005 6 mths to 30 June Unaudited £'000	2005 12 mths to 31 December Audited £'000
Profit for the period	5,713	2,925	8,129
Foreign currency translation differences	(949)	333	764
Total recognised income and expense for the period	4,764	3,258	8,893

consolidated balance sheet

	Note	2006 30 June Unaudited £'000	2005 30 June Unaudited £'000	2005 31 December Audited £'000
Non-current assets				
Intangible assets		7,683	6,847	7,697
Property, plant and equipment		4,011	4,783	4,057
Deferred tax asset		2,276	756	1,558
		13,970	12,386	13,312
Current assets				
Trade and other receivables		57,025	43,004	44,280
Corporation tax receivables		1,126	1,037	588
Cash and cash equivalents		2,155	9,044	13,612
		60,306	53,085	58,480
Total assets		74,276	65,471	71,792
Current liabilities				
Trade and other payables	7	(31,450)	(24,361)	(27,745)
Corporation tax liabilities		(3,138)	(2,093)	(2,516)
Bank loan		(1,631)	(3,171)	(1,641)
		(36,219)	(29,625)	(31,902)
Net current assets		24,087	23,460	26,578
Non-current liabilities				
Bank loan		(1,958)	–	(2,908)
Deferred tax liabilities		(1,442)	(667)	(1,286)
Total liabilities		(39,619)	(30,292)	(36,096)
Net assets		34,657	35,179	35,696
Equity				
Share capital		17,011	16,946	16,946
Share premium		57,946	77,846	77,846
Other reserves		(74,034)	(74,034)	(74,034)
Own shares held		(2,686)	(8,232)	(8,232)
Treasury shares held		(10,017)	–	(4,786)
Foreign exchange reserves		(666)	(148)	283
Retained earnings		47,103	22,801	27,673
Total equity		34,657	35,179	35,696

Following an application to the Court, the share premium account of the Company was reduced by £20,000,000 on 30 June 2006. Accordingly, the distributable reserves of the Company increased by a corresponding amount.

consolidated cash flow statement

	Note	2006 6 mths to 30 June Unaudited £'000	2005 6 mths to 30 June Unaudited £'000	2005 12 mths to 31 December Audited £'000
Cash generated from operating activities	8	366	1,954	13,425
Income taxes paid		(2,499)	(2,347)	(4,072)
Net cash from operating activities		(2,133)	(393)	9,353
Investing activities				
Interest paid		(68)	(14)	(122)
Purchases of computer software		(239)	–	(1,257)
Purchases of property, plant and equipment		(616)	(1,970)	(1,781)
Net cash used in investing activities		(923)	(1,984)	(3,160)
Financing activities				
Equity dividends paid		(1,714)	(1,662)	(2,433)
Proceeds on issue of shares		165	41	41
Proceeds from bank loan		–	–	5,000
Repayment of bank loan		(960)	–	(451)
Purchase of own shares		(5,231)	–	(4,786)
Net cash used in financing activities		(7,740)	(1,621)	(2,629)
Net (decrease) increase in cash and cash equivalents		(10,796)	(3,998)	3,564
Cash and cash equivalents at beginning of the period		13,612	9,712	9,712
Effect of foreign exchange rate changes		(661)	159	336
		2,155	5,873	13,612
Cash and cash equivalents at end of the period				
Bank balances and cash		12,583	9,044	13,612
Bank overdrafts		(10,428)	(3,171)	–
		2,155	5,873	13,612

movement in equity

	2006 6 mths to 30 June Unaudited £'000	2005 6 mths to 30 June Unaudited £'000	2005 12 mths to 31 December Audited £'000
Profit for the period	5,713	2,925	8,129
Foreign currency translation differences	(949)	333	764
Total recognised income and expense for the period	4,764	3,258	8,893
Dividend	(1,714)	(1,628)	(2,403)
Own shares purchased	(5,231)	–	(4,786)
Credit in respect of share schemes	977	432	875
New shares issued	165	41	41
Net (reduction) increase to equity	(1,039)	2,103	2,620
Opening equity	35,696	33,076	33,076
Closing equity	34,657	35,179	35,696

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 with the recognition and measurement criteria of the International Financial Reporting Standards, including International Accounting Standards and Interpretations (IFRSs) as adopted for use in the EU.

The policies applied by the Group are set out in detail in the annual report for the year ended 31 December 2005.

2. Financial information

The financial information on pages 5 to 11 was formally approved by the Board of Directors on 1 September 2006. 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 IFRS for the year ended 31 December 2005 for Robert Walters plc have been delivered to the Registrar of Companies. The auditors' report on these accounts was not qualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The financial information in respect of the period ended 30 June 2006 is unaudited but has been reviewed by the Company's auditors. Their report is attached on page 12. The financial information in respect of the period ended 30 June 2005 is also unaudited.

3. Segmental information

	2006 6 mths to 30 June Unaudited £'000	2005 6 mths to 30 June Unaudited £'000	2005 12 mths to 31 December Audited £'000
i) Revenue:			
UK	64,549	56,963	122,132
Continental Europe	14,613	9,576	21,408
Asia Pacific	46,022	36,940	84,278
Other	4,195	3,002	6,732
	129,379	106,481	234,550
ii) Gross profit:			
UK	20,935	18,243	38,062
Continental Europe	8,666	5,536	11,981
Asia Pacific	19,576	14,702	32,672
Other	3,296	2,501	5,407
	52,473	40,982	88,122
iii) Profit on ordinary activities before interest and tax:			
UK	1,602	879	1,696
Continental Europe	1,400	875	2,201
Asia Pacific	4,788	3,420	8,768
Other	220	(109)	347
Operating profit	8,010	5,065	13,012
Net finance income (expenditure)	96	(188)	(319)
Profit on ordinary activities before tax	8,106	4,877	12,693
iv) Revenue by business grouping:			
Robert Walters	124,962	101,830	224,876
Resource Solutions	4,417	4,651	9,674
	129,379	106,481	234,550

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

	2006 6 mths to 30 June Unaudited £'000	2005 6 mths to 30 June Unaudited £'000	2005 12 mths to 31 December Audited £'000
UK	526	454	912
Overseas	2,057	1,448	3,683
Double tax relief	–	–	41
	2,583	1,902	4,636
Deferred tax	(190)	50	(72)
Total taxation	2,393	1,952	4,564

The charge for taxation is based on the expected annual tax rate of 29.5% (2005: 40%) on profit before tax. The UK effective rate of tax is expected to be lower than 30% due to a tax credit arising on the distribution of shares to employees in accordance with Group share incentive schemes. The overall tax rate overseas is higher than the UK standard rate of 30% due to a majority of the profits being subject to higher taxation and a proportion of expenditure being disallowable for tax purposes.

5. Dividends

	2006 6 mths to 30 June Unaudited £'000	2005 6 mths to 30 June Unaudited £'000	2005 12 mths to 31 December Audited £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for 2005 of 2.35p (2004: 2.1p)	1,714	1,628	1,591
Interim dividend for 2005 of 1.05p (2004: 1.05p)	–	–	812
	1,714	1,628	2,403
Proposed interim dividend for 2006 of 1.15p (2005: 1.05p)	871	812	811

The total amount of the proposed interim dividend is higher than in June 2005 due to the 9.5% increase in value per share, the issue of 324,756 new shares in accordance with Company obligations in respect of the Executive Share Option Scheme and a net decrease in own shares held during the period of 1,733,390.

The proposed interim dividend was approved by the Board on 1 September 2006 and has not been included as a liability at 30 June 2006.

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.

	2006 6 mths to 30 June Unaudited	2005 6 mths to 30 June Unaudited	2005 12 mths to 31 December Audited
Weighted average number of shares:			
Shares in issue throughout the period	84,731,927	84,676,927	84,676,927
Shares issued in the period	141,203	32,389	43,819
Own shares held	(10,774,674)	(7,445,560)	(8,313,505)
For basic earnings per share	74,098,456	77,263,756	76,407,241
Outstanding share options	5,577,824	6,552,363	4,718,281
For diluted earnings per share	79,676,280	83,816,119	81,125,522

7. Trade and other payables

In accordance with IFRS 2 'Share-based payment' the balance sheet treatment of the different schemes depends on their terms and the intention of the Directors, with schemes expected to be cash settled shown as liabilities whereas equity settled schemes are taken directly to equity. There has been a reclassification from liabilities to equity as the Directors consider that the Group's PSP schemes are to be equity settled. This reclassification has no impact on the income statement of either period.

8. Notes to the cash flow statement

	2006 6 mths to 30 June Unaudited £'000	2005 6 mths to 30 June Unaudited £'000	2005 12 mths to 31 December Audited £'000
Operating profit for the period	8,010	5,065	13,012
Adjustments for:			
Depreciation and amortisation charges	811	544	1,304
Loss on disposal of computer software	–	–	67
(Profit) loss on disposal of property, plant and equipment	(19)	103	247
Movement in share scheme balance	675	344	927
Operating cash flows before movements in working capital	9,477	6,056	15,557
Increase in receivables	(12,745)	(5,190)	(6,320)
Increase in payables	3,634	1,088	4,188
Cash generated from operations	366	1,954	13,425

9. Registered office

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

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 2006 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 9. 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.

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 2006.

Deloitte & Touche LLP
Chartered Accountants
London

1 September 2006

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