

HALF-YEARLY FINANCIAL RESULTS 2019

ROBERT WALTERS PLC

ROBERT WALTERS

Powering people and organisations to fulfil their unique potential.

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To view our Half-yearly Financial Results online, visit robertwalters.com/investors

2019 FINANCIAL HIGHLIGHTS

STATUTORY REPORTING

+1% ↑

£634.5m

Revenue
(2018: £625.9m)

+9% ↑

£204.9m

Net Fee Income (Gross Profit)
(2018: £188.6m)

+9% ↑

£22.5m

Operating Profit
(2018: £20.7m)

+2% ↑

£20.9m

Profit Before Taxation
(2018: £20.6m)

+2% ↑

21.7p

Basic Earnings Per Share
(2018: 21.2p)

ADJUSTED REPORTING, EXCLUDING THE IMPACT OF IFRS 16 LEASES

+6% ↑

£21.9m^{}**

Adjusted Operating Profit
(2018: £20.7m)

+5% ↑

£21.7m^{}**

Adjusted Profit Before Taxation
(2018: £20.6m)

+6% ↑

22.5p^{}**

Adjusted Basic Earnings
Per Share (2018: 21.2p)

^{**} Adjusted figures have been calculated to eliminate the impact of IFRS 16 Leases adjustments.

HALF-YEARLY MANAGEMENT REPORT

The Group delivered a solid first half performance increasing operating profit by 6%** (4%*) to £21.9m** (£21.5m*) (2018: £20.7m) despite uncertainty in a number of the Group's markets.

Revenue was up 1% (1%*) to £634.5m (£632.7m*) (2018: £625.9m) and gross profit (net fee income) increased by 9% (7%*) to £204.9m (£202.7m*) (2018: £188.6m). Profit before taxation increased 5%** (4%*) to £21.7m** (£21.3m*) (2018: £20.6m). The Group has a strong balance sheet with net cash of £54.4m as at 30 June 2019 (30 June 2018: £24.8m).

The diversity of the Group's international footprint across both emerging and established recruitment markets continues to underpin our ability to deliver profitable growth whilst uncertainties such as Brexit, trade wars, gilet jaunes protests and political unrest in Hong Kong disrupt client and candidate confidence. International diversification is a key strategic pillar for the Group and during the first half we have launched in Mexico, a new country; and opened four additional offices (Cologne, Nantes, Thailand's Eastern Seaboard and Utrecht) in existing markets. 74% (2018: 72%) of the Group's net fee income is now derived from our international businesses.

The Group's second strategic pillar, discipline diversification, has also enabled the Group to grow into newer disciplines such as fintech, cyber, digital and technology whilst maintaining strength in core disciplines such as accounting and finance, legal, HR and sales and marketing. Our blend of revenue streams covering permanent, contract and interim recruitment and the portfolio of services we provide covering specialist professional recruitment and recruitment process outsourcing ensures we are well placed to meet the ever-evolving needs of both our candidates and clients, even when market conditions are tight.

Permanent recruitment currently represents 69% (2018: 69%) of the Group's recruitment net fee income. Group headcount now stands at 4,323 (30 June 2018: 3,996), an 8% increase year-on-year, with growth largely focused in our Asia Pacific, European and Americas businesses.

Asia Pacific (39% of net fee income)

Revenue was £197.4m (2018: £189.7m) and net fee income increased by 10% (8%*) to £80.5m (£78.7m*) (2018: £73.1m) delivering a 6%** (2%*) increase in operating profit to £9.8m** (£9.4m*) (2018: £9.2m).

In Asia, where the Group continues to enjoy an unrivalled footprint and an acute shortage of bilingual professionals prevails, Japan and Korea continued to deliver good growth and in South East Asia, Malaysia, Thailand and the Philippines were the most notable performers. Market conditions have been tough in Malaysia over the last eighteen months and it was positive to see encouraging signs of recovery. In Greater China, Hong Kong was significantly impacted in the second quarter by political unrest, whereas Mainland China, despite trade tariff concerns, delivered growth in both net fee income and operating profit.

In Australia, we saw single-digit* net fee income growth and a mixed state-by-state performance, with Melbourne and Sydney performing well and conditions more challenging in Western Australia and regional New South Wales. Our business in New Zealand continues to be a market leader, with our office in Wellington in particular performing well.

Resource Solutions continued to grow net fee income and secured two new client wins.

Europe (26% of net fee income)

Revenue was £125.8m (2018: £114.1m) and net fee income increased by 10% (11%*) to £54.0m (£54.3m*) (2018: £48.9m) delivering a 5%** (6%*) increase in operating profit to £7.5m** (£7.6m*) (2018: £7.1m).

Our business across Europe continues to perform well, underpinned by the breadth of our service offering across permanent, contract and interim recruitment.

France, our largest business in the region, bounced back strongly from a gilet jaunes impacted first quarter, delivering a 12%* increase in net fee income for the first half. Our Benelux business has performed well across permanent, contract and interim, and Spain goes from strength to strength growing both net fee income and operating profit by more than 15%*. Germany, a high potential growth market, where the Group now has four offices, grew both net fee income and operating profit in excess of 40%*.

United Kingdom (26% of net fee income)

Revenue in the UK was £293.2m (2018: £306.7m) and net fee income increased by 1% to £52.9m (2018: £52.6m) delivering an operating profit of £4.1m** (2018: £4.2m).

Political and economic uncertainty related to Brexit increasingly impacted client and candidate confidence as the period progressed. Nevertheless, our UK business did manage to grow net fee income against tough comparatives. Activity levels were stronger outside of London with our offices in Milton Keynes and Birmingham in particular performing well, and technology as a sector delivering good growth. In London, market conditions were more muted but financial services, particularly buy-side in risk and compliance, and technology did see growth. The emergence of London as a global centre for the fintech industry has also proven beneficial.

Resource Solutions delivered single-digit growth in net fee income and won four new client deals covering the professional services, financial services and entertainment sectors.

Other International (9% of net fee income)

Other International comprises the Americas, Middle East and South Africa. Revenue was £18.1m (2018: £15.4m), net fee income was up 25% (20%*) to £17.5m (£16.7m*) (2018: £14.0m) delivering an operating profit of £0.5m** (£0.4m*) (2018: £0.2m).

Our footprint across Latin America continues to grow with the addition of Chile last year and Mexico most recently. Chile has started well and is already profitable. In North America, San Francisco has been the standout performer as the Silicon Valley effect shows no sign of slowing. Elsewhere, our business in the Middle East had a record first half, whilst South Africa, where market conditions have been tough, performed well.

Cash flow

The Group maintained a strong net cash position of £54.4m as at 30 June 2019 (30 June 2018: £24.8m). Working capital in the period has increased by £13.7m and notable cash outflows included a dividend of £7.5m, £7.1m of tax payments and capital expenditure of £4.7m. During the period, 2.5m shares have been purchased through the Group's Employee Benefit Trust at an average price of £5.99 for £15.0m.

Dividend

The interim dividend will be increased by 13% to 4.5p per share (2018: 4.0p) and will be paid on 18 October 2019 to those shareholders on the Company's register as at 6 September 2019.

Board changes

As announced at the Group's Annual General Meeting, Giles Daubeney stepped down from the Board and his role as Deputy CEO on 17 May 2019.

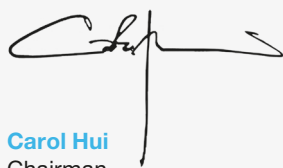
Treasury management, currency risk and other principal risks and uncertainties affecting the business

The Group does not have material transactional exposures although is exposed to translation differences on the profits and cash flows generated in its overseas operations. Overseas currency balances that are surplus to local working capital requirements are converted on a regular basis to Pounds Sterling. The main functional currencies of the Group's operating divisions are Pounds Sterling, the Euro, the Australian Dollar and the Japanese Yen.

The other principal risks and uncertainties affecting the Group's business activities remain those detailed within the Principal Risks and Uncertainties section of the Annual Report and Accounts for the year ended 31 December 2018, namely the economic environment, business model, people management, brand and reputation, laws and regulation and technology. The Board does not foresee a material change in respect of these factors for the remainder of the year.

Outlook

Trading remains in line with market expectations for the full year and the Group is well-positioned to continue to maximise market opportunities as they arise.



Carol Hui
Chairman
24 July 2019



Robert Walters
Chief Executive

* Constant currency is calculated by applying prior period exchange rates to local currency results for the current and prior period.

** Adjusted figures have been calculated to eliminate the impact of IFRS 16 Leases adjustments.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	2019 6 months to 30 June Unaudited £s millions	2018 6 months to 30 June Unaudited £s millions	2018 12 months to 31 December Audited £s millions
Revenue	4	634.5	625.9	1,233.2
Cost of sales		(429.6)	(437.3)	(841.2)
Gross profit	4	204.9	188.6	392.0
Administrative expenses		(182.4)	(167.9)	(342.3)
Operating profit	4	22.5	20.7	49.7
Finance income		0.2	0.2	0.5
Finance costs		(1.9)	(0.3)	(1.0)
Gain (loss) on foreign exchange		0.1	(0.0)	(0.1)
Profit before taxation	4	20.9	20.6	49.1
Taxation	5	(5.7)	(5.5)	(13.5)
Profit for the period		15.2	15.1	35.6
Earnings per share (pence):	7			
Basic		21.7	21.2	50.4
Diluted		19.9	19.2	45.8
Adjusted results excluding IFRS 16 Leases:	12			
Adjusted operating profit		21.9	20.7	49.7
Adjusted profit before tax		21.7	20.6	49.1
Adjusted earnings per share (pence):	12			
Basic		22.5	21.2	50.4
Diluted		20.7	19.2	45.8

The amounts above relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

	2019 6 months to 30 June Unaudited £s millions	2018 6 months to 30 June Unaudited £s millions	2018 12 months to 31 December Audited £s millions
Profit for the period	15.2	15.1	35.6
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas operations	1.0	(0.3)	2.3
Total comprehensive income and expense for the period	16.2	14.8	37.9

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	2019 30 June Unaudited £s millions	2018 30 June Unaudited £s millions	2018 31 December Audited £s millions
Non-current assets				
Intangible assets		11.9	11.4	11.2
Property, plant and equipment		11.6	9.6	10.6
Right of use assets	12	80.3	-	-
Deferred tax assets		10.9	10.3	12.4
		114.7	31.3	34.2
Current assets				
Trade and other receivables		236.9	250.6	231.0
Corporation tax receivables		5.6	1.6	4.7
Cash and cash equivalents		81.8	51.3	79.9
		324.3	303.5	315.6
Total assets		439.0	334.8	349.8
Current liabilities				
Trade and other payables		(166.8)	(166.2)	(176.2)
Corporation tax liabilities		(11.1)	(6.0)	(11.8)
Bank overdrafts and loans	9	(27.4)	(26.5)	(5.7)
Lease liabilities	12	(17.7)	-	-
Provisions		(1.4)	(1.0)	(1.6)
		(224.4)	(199.7)	(195.3)
Net current assets		99.9	103.8	120.3
Non-current liabilities				
Lease liabilities	12	(65.0)	-	-
Provisions		(1.7)	(1.9)	(1.7)
		(66.7)	(1.9)	(1.7)
Total liabilities		(291.1)	(201.6)	(197.0)
Net assets		147.9	133.2	152.8
Equity				
Share capital		16.0	15.9	15.9
Share premium		22.0	22.0	22.0
Other reserves		(71.8)	(71.8)	(71.8)
Own shares held		(26.3)	(13.2)	(18.3)
Treasury shares held		(9.1)	(9.1)	(9.1)
Foreign exchange reserves		15.6	12.0	14.6
Retained earnings		201.5	177.4	199.5
Total equity		147.9	133.2	152.8

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	2019 6 months to 30 June Unaudited £s millions	2018 6 months to 30 June Unaudited £s millions	2018 12 months to 31 December Audited £s millions
Cash generated from operating activities	8	22.2	8.3	73.4
Income taxes paid		(7.1)	(4.6)	(10.7)
Net cash generated from operating activities		15.1	3.7	62.7
Investing activities				
Interest received		0.2	0.2	0.5
Purchases of computer software		(1.4)	(0.6)	(0.6)
Purchases of property, plant and equipment		(3.3)	(2.2)	(5.7)
Net cash used in investing activities		(4.5)	(2.6)	(5.8)
Financing activities				
Equity dividends paid		(7.5)	(6.6)	(9.5)
Proceeds from issue of equity		0.1	0.1	0.1
Interest paid on bank borrowings		(0.5)	(0.3)	(1.0)
Interest on lease liabilities	12	(1.4)	-	-
Principal paid on lease liabilities		(6.9)	-	-
Proceeds from bank loans		21.7	0.6	0.5
Repayment of bank loans		-	(4.9)	(25.7)
Share buy-back and cancellation		-	-	-
Purchase of own shares		(15.0)	-	(5.1)
Proceeds from exercise of share options		0.3	0.0	0.0
Net cash used in financing activities		(9.2)	(11.1)	(40.7)
Net increase (decrease) in cash and cash equivalents		1.4	(10.0)	16.2
Cash and cash equivalents at beginning of the period		79.9	61.9	61.9
Effect of foreign exchange rate changes		0.4	(0.6)	1.8
Cash and cash equivalents at end of the period		81.8	51.3	79.9

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £s millions	Share premium £s millions	Other reserves £s millions	Own shares held £s millions	Treasury shares held £s millions	Foreign exchange reserves £s millions	Retained earnings £s millions	Total equity £s millions
Balance at 1 January 2018	15.9	21.9	(71.8)	(18.2)	(9.1)	12.3	170.8	121.8
Profit for the period	-	-	-	-	-	-	15.1	15.1
Foreign currency translation differences	-	-	-	-	-	(0.3)	-	(0.3)
Total comprehensive income and expense for the period	-	-	-	-	-	(0.3)	15.1	14.8
Dividends paid	-	-	-	-	-	-	(6.6)	(6.6)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.8	2.8
Deferred tax on share-based payment transactions	-	-	-	-	-	-	0.3	0.3
Transfer to own shares held on exercise of equity incentives	-	-	-	5.0	-	-	(5.0)	-
New shares issued and own shares purchased	0.0	0.1	-	0.0	-	-	-	0.1
Unaudited balance at 30 June 2018	15.9	22.0	(71.8)	(13.2)	(9.1)	12.0	177.4	133.2
Profit for the period	-	-	-	-	-	-	20.5	20.5
Foreign currency translation differences	-	-	-	-	-	2.6	-	2.6
Total comprehensive income and expense for the period	-	-	-	-	-	2.6	20.5	23.1
Dividends paid	-	-	-	-	-	-	(2.8)	(2.8)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.8	2.8
Deferred tax on share-based payment transactions	-	-	-	-	-	-	1.6	1.6
Transfer to own shares held on exercise of equity incentives	-	-	-	-	-	-	(0.0)	(0.0)
New shares issued and own shares purchased	0.0	0.0	-	(5.1)	-	-	-	(5.1)
Balance at 31 December 2018	15.9	22.0	(71.8)	(18.3)	(9.1)	14.6	199.5	152.8
Profit for the period	-	-	-	-	-	-	15.2	15.2
Foreign currency translation differences	-	-	-	-	-	1.0	-	1.0
Total comprehensive income and expense for the period	-	-	-	-	-	1.0	15.2	16.2
Dividends paid	-	-	-	-	-	-	(7.5)	(7.5)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.7	2.7
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(1.7)	(1.7)
Transfer of own shares held on exercise of equity incentives	-	-	-	6.7	-	-	(6.7)	-
New shares issued and own shares purchased	0.1	0.0	-	(14.7)	-	-	-	(14.6)
Unaudited balance at 30 June 2019	16.0	22.0	(71.8)	(26.3)	(9.1)	15.6	201.5	147.9

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

1. Statement of accounting policies

Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed set of financial statements has been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

The accounting policies applied by the Group are as set out in detail in the Annual Report and Accounts for the year ended 31 December 2018.

IFRS 16 Leases was adopted from 1 January 2019, the new accounting policy and impact of the adoption of IFRS 16 Leases on the Group's financial statements is included in note 12 and stated in the Annual Report and Accounts for the year ended 31 December 2018.

The Group was profitable for the period and has considerable financial resources, including £54.4m of net cash at 30 June 2019, together with a diverse range of clients and suppliers across different geographic locations and sectors. As a consequence, the Directors believe the Group is well placed to manage its business risks successfully.

After making enquiries, the Directors have formed a judgement, at the time of approving the Half-yearly Financial Results, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason the Directors continue to adopt the going concern basis in preparing the condensed set of financial statements.

2. Financial information

The financial information on pages 4 to 13 was formally approved by the Board of Directors on 24 July 2019. The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

Statutory accounts prepared under IFRSs for the year ended 31 December 2018 for Robert Walters plc have been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The financial information in respect of the period ended 30 June 2019 is unaudited but has been reviewed by the Company's auditor.

Their report is included on page 13. The financial information in respect of the period ended 30 June 2018 is also unaudited.

3. Currency conversion

The presentational currency of the Group is Pounds Sterling and the condensed set of financial statements has been prepared on this basis.

The Condensed Consolidated Income Statement for the period ended 30 June 2019 has been prepared using, among other currencies, the average exchange rate of €1.1449 to the Pound (period ended 30 June 2018: €1.1363; year ended 31 December 2018: €1.1130); ¥142.3428 to the Pound (30 June 2018: ¥149.5392; 31 December 2018: ¥147.3219) and AU\$1.8309 to the Pound (30 June 2018: AU\$1.7836; 31 December 2018: AU\$1.7855).

The Condensed Consolidated Balance Sheet as at 30 June 2019 has been prepared using the exchange rates on that day of €1.1159 to the Pound (30 June 2018: €1.1298; 31 December 2018: €1.1126); ¥136.1260 to the Pound (30 June 2018: ¥146.1260; 31 December 2018: ¥140.1091) and AU\$1.8055 to the Pound (30 June 2018: AU\$1.7815; 31 December 2018: AU\$1.8049).

4. Segmental information

	2019 6 months to 30 June Unaudited £s millions	2018 6 months to 30 June Unaudited £s millions	2018 12 months to 31 December Audited £s millions
i) Revenue:			
Asia Pacific	197.4	189.7	394.0
UK	293.2	306.7	571.9
Europe	125.8	114.1	237.1
Other International	18.1	15.4	30.2
	634.5	625.9	1,233.2
ii) Gross profit (net fee income):			
Asia Pacific	80.5	73.1	154.1
UK	52.9	52.6	107.5
Europe	54.0	48.9	100.7
Other International	17.5	14.0	29.7
	204.9	188.6	392.0
iii) Profit before taxation:			
Asia Pacific	10.0	9.2	21.2
UK	4.2	4.2	12.4
Europe	7.7	7.1	15.0
Other International	0.6	0.2	1.1
Operating profit	22.5	20.7	49.7
Net finance costs	(1.6)	(0.1)	(0.6)
Profit before taxation	20.9	20.6	49.1
iv) Total assets:			
Asia Pacific	96.2	66.1	70.8
UK	140.8	141.5	110.5
Europe	80.8	53.4	59.5
Other International	20.5	10.6	12.0
Unallocated corporate assets*	100.7	63.2	97.0
	439.0	334.8	349.8
v) Total liabilities:			
Asia Pacific	(62.6)	(36.7)	(39.2)
UK	(127.8)	(98.4)	(99.0)
Europe	(50.9)	(29.1)	(35.4)
Other International	(14.1)	(5.0)	(5.9)
Unallocated corporate liabilities*	(35.7)	(32.4)	(17.5)
	(291.1)	(201.6)	(197.0)
vi) Revenue by business grouping:			
Robert Walters	356.4	338.6	702.1
Resource Solutions	278.1	287.3	531.1
	634.5	625.9	1,233.2

* For the purpose of segmental analysis, unallocated corporate assets and liabilities include cash, bank loans, corporation and deferred tax balances.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS CONTINUED

5. Taxation

	2019 6 months to 30 June Unaudited £s millions	2018 6 months to 30 June Unaudited £s millions	2018 12 months to 31 December Audited £s millions
Current tax	5.8	5.3	14.6
Deferred tax	(0.1)	0.2	(1.0)
Total tax charge for the period	5.7	5.5	13.6

The tax charge is based on the expected annual effective tax rate of 27.5% (2018: 26.8%) on profit before taxation. The effective tax rate is higher than the standard UK rate of 19%, primarily as a result of overseas taxation in Japan, Australia and France, and the impact of adjustments to accounting profit in the tax calculation and disallowable costs.

6. Dividends

	2019 6 months to 30 June Unaudited £s millions	2018 6 months to 30 June Unaudited £s millions	2018 12 months to 31 December Audited £s millions
Amounts recognised as distributions to equity holders in the period:			
Final dividend for 2018 of 10.70p (2017: 9.30p)	7.5	6.6	7.1
Interim dividend for 2018 of 4.00p (2017: 2.75p)	-	-	2.8
	7.5	6.6	9.9
Proposed interim dividend for 2019 of 4.50p (2018: 4.00p)	3.2	2.8	N/A

The proposed interim dividend was approved by the Board on 24 July 2019 and has not been included as a liability at 30 June 2019.

7. Earnings per share

The calculation of earnings per ordinary share is based on the profit for the period attributable to equity holders of the parent and the weighted average number of shares of the Company.

	2019 6 months to 30 June Unaudited £s millions	2018 6 months to 30 June Unaudited £s millions	2018 12 months to 31 December Audited £s millions
Profit for the period attributable to equity holders of the parent	15.2	15.1	35.6
IFRS 16 Leases adjustment (note 12)	0.6	-	-
Adjusted profit for the period attributable to equity holders of the parent**	15.8	15.1	35.6

** Adjusted profit for the period has been calculated to eliminate the impact of the IFRS 16 Leases adjustments as disclosed in note 12.

	Number of shares	Number of shares	Number of shares
Weighted average number of shares:			
Shares in issue throughout the period	79,652,285	79,374,520	79,374,520
Shares issued in the period	187,120	125,389	196,213
Shares cancelled in the period	-	-	-
Treasury and own shares held	(9,659,696)	(8,543,036)	(9,043,151)
For basic earnings per share	70,179,709	70,956,873	70,527,582
Outstanding share options	6,087,934	7,370,243	7,054,450
For diluted earnings per share	76,267,643	78,327,116	77,582,032

8. Notes to the cash flow statement

	2019 6 months to 30 June Unaudited £s millions	2018 6 months to 30 June Unaudited £s millions	2018 12 months to 31 December Audited £s millions
Operating profit for the period	22.5	20.7	49.7
Adjustments for:			
Depreciation and amortisation charges	10.7	2.5	5.2
Loss on disposal of property, plant and equipment and computer software	0.0	0.1	0.4
Charge in respect of share-based payment transactions	2.7	2.8	5.7
Operating cash flows before movements in working capital	35.9	26.1	61.0
Increase in receivables	(5.3)	(23.0)	(1.1)
(Decrease) increase in payables	(8.4)	5.2	13.5
Cash generated from operating activities	22.2	8.3	73.4

9. Bank loans

The Group has a committed financing facility of £60.0m, which expires in March 2023.

At 30 June 2019, £26.3m (30 June 2018: £25.4m) was drawn down under this facility.

The Group also has a non-recourse sales invoice facility of £15.0m.

The Group has a short-term facility of Renminbi 25m (£2.9m) of which Renminbi 10m (£1.1m) was drawn down as at 30 June 2019.

The loan is secured against cash deposits in Hong Kong.

10. Related party transactions

During the first six months of the year, there were related party transactions totalling £1,400 (30 June 2018: £45,000) with Tay Associates Limited, a related party through a Director of Robert Walters plc.

There were no outstanding balances as at 30 June 2019.

All transactions were undertaken on an arm's-length basis.

11. Registered office

The Company's registered office is located at 11 Slingsby Place, St Martin's Courtyard, London, WC2E 9AB.

12. Changes in accounting policy

The Group has adopted the modified retrospective application of IFRS 16 Leases from 1 January 2019, and has not restated comparatives for the 2018 reporting period, in accordance with IFRS 16:C5(b). Consequently, the Group has recognised the reclassifications and the adjustments arising from the new leasing rules in the opening balance sheet on 1 January 2019.

Impact of the new definition of a lease

The Group has applied the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 will continue to apply to those leases entered into before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into on or after 1 January 2019. In preparation for the first time application of IFRS 16, the Group carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS CONTINUED

Impact on lessee accounting

Operating leases

IFRS 16 has impacted how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. On initial application of IFRS 16, for all leases (except as noted below), the Group has:

- Recognised right of use assets and lease liabilities in the Consolidated Balance Sheet, initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate if this is not stated;
- Recognised depreciation of right of use assets and interest on lease liabilities in the Consolidated Income Statement;
- Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the Consolidated Cash Flow Statement.

The incremental borrowing rate is calculated on a lease-by-lease basis. The weighted average lessee's borrowing rate applied to the lease liabilities on 1 January 2019 was 3.38%.

Lease incentives (e.g. rent free period) have been recognised as part of the measurement of the right of use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right of use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This has replaced the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low value assets (less than £3,000), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Adjustments recognised on adoption of IFRS 16

As at 1 January 2019, the Group has non-cancellable operating lease commitments of £64.3m. An assessment indicates that £64.0m of these arrangements relate to leases other than short-term leases and leases of low-value assets. Taking into consideration the exercise of options to extend where it is reasonably certain these options will be exercised, the Group has recognised a right of use asset of £82.1m and a corresponding lease liability of £83.7m in respect of these leases. The provision for onerous lease contracts which was required under IAS 17 of £0.7m, rental prepayments of £1.3m and lease liability incentives of £2.1m previously recognised in respect of the operating leases have been derecognised and the amount factored into the measurement of the right to use assets and lease liabilities.

The net impact on retained earnings at 30 June 2019 was a decrease of £0.6m. This adjustment contains the reversal of the rental charge under IAS 17 of £8.0m, an amortisation charge of £7.4m, finance costs of £1.4m and a reduction in corporation tax of £0.2m.

Impact on segment disclosures and earnings per share

The change in accounting policy has resulted in a decrease in the Group's profit before taxation, for the six months ended 30 June 2019, and an increase in the total assets and total liabilities as at 30 June 2019. The following segments were affected by the change in policy:

	PBT £s millions	Assets £s millions	Liabilities £s millions
2019:			
Asia Pacific	0.2	25.4	(26.0)
UK	0.1	26.3	(27.6)
Europe	0.2	20.8	(21.0)
Other International	0.1	7.8	(8.1)
Unallocated corporate assets and liabilities*	(1.4)	0.0	0.0
	(0.8)	80.3	(82.7)

* For the purposes of segmental information, unallocated corporate assets and liabilities include cash, bank loans, corporation and deferred tax balances.

Earnings per share decreased by 0.8p per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16 Leases.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by DTR 4.2.7R (indication of the important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Management Report and note 10 includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,



Alan Bannatyne

Chief Financial Officer

24 July 2019

INDEPENDENT REVIEW REPORT TO ROBERT WALTERS PLC

We have been engaged by the Company to review the condensed set of financial statements in the Half-yearly Financial Results for the six months ended 30 June 2019 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income and Expense, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity, and related notes 1 to 12. We have read the other information contained in the Half-yearly Financial Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The Half-yearly Financial Results is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly Financial Results in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half-yearly Financial Results has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-yearly Financial Results based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-yearly Financial Results for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.



BDO LLP

Chartered Accountant
London, United Kingdom

24 July 2019

BDO LLP is a limited partnership registered in England and Wales (with registered number OC305127).

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