



WATERMAN DELIVERS EXCELLENT PROGRESS

Waterman Group plc, ("Waterman"), one of the UK's leading multidisciplinary engineering and environmental consultancies, today announces its preliminary results for the year ended 30 June 2005.

Highlights:

- **Work done increased to £72.6m (2004: £65.0m)**
- **Profit before tax increased to £3.1m (2004: £2.0m)**
- **Profit before tax and goodwill amortisation up to £4.0m (2004: £2.8m)**
- **Basic earnings per share increased to 6.9p (2004: 5.1p)**
- **Basic earnings per share before goodwill amortisation up to 9.8p (2004: 7.8p)**
- **Dividend increased to 5.2p (2004: 4.9p)**
- **NAV increased to 95p per share (2004: 92p)**
- **Substantial long term order book**
- **Acquisition of Quadrant Consulting Ltd**
- **Key international projects continuing in China, UAE, Russia and Australia**

- **Major Urban Regeneration projects continue at:**
whitecity™, west London
The Shires, Leicester
Paradise Street, Liverpool
Broadmead, Bristol
Park Place, Croydon
Eastside, Nottingham

- **Major advisory work in London at:**
Former Stock Exchange Tower
Thames Exchange
90, Upper Thames Street
The Quadrant, Regent Street
14-18 Gresham Street

Commenting on the results, Bob Campbell, Managing Director said,

" We have made considerable progress over the past year which is reflected in these excellent results. The Group has performed strongly across all sectors, whilst benefiting from more favourable trading conditions. Good progress has been made on a number of the major regeneration projects. We are delighted to be playing such an active role in many of the UK's largest projects which will provide a revenue stream for the Group through to 2012.

Our international operations have made good progress with major contracts being secured in some of the World's fastest growing construction markets including China, Dubai and Russia.

Waterman has successfully undergone a reorganisation of its operational subsidiaries and the benefits are already being seen across the Group.

It is difficult to anticipate whether the recent improvement in margins is sustainable in the longer term however our record long term order book, strong balance sheet and good performance reported across all sectors enable us to approach the future with confidence."

-ends-

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CHAIRMAN'S STATEMENT

I am pleased to report that, in the year to 30 June 2005, Waterman Group achieved an increased pre tax profit of £3.1m (2004 : £2.0m) on work done of £72.6m (2004 : £65.0m). Basic earnings per share were 6.9p (2004 : 5.1p) and net assets per share stand at 95p (2004 : 92p).

The board is recommending an increased final dividend of 3.3p (2004 : 3.0p) per share which with a maintained interim dividend of 1.9p makes a total for the year of 5.2p (2004 : 4.9p) per share. Whilst profits have increased at a greater rate than dividends, the Board also wishes to rebuild the level of dividend cover and retained reserves. The final dividend will be payable on 15 December 2005 to shareholders on the register on 18 November 2005.

As recently announced, these results represent a significant improvement compared to last year, due to a number of factors including: projects releasing profits earlier than expected, the improved performance of the Group's regional and international companies and a reduction in property costs in London. Currently, all sectors are performing well and the Group continues to secure an excellent long term order book.

Group Activities

Multi-discipline consultancy services continue to be provided on some of the UK's largest urban regeneration projects. These include whitecity™ in west London, Paradise Street in Liverpool, Eastgate in Leeds, Broadmead in Bristol, Park Place in Croydon, Shires in Leicester and Eastside in Nottingham. These projects, together with others in the same sector, have an aggregate capital value in excess of £6 billion and will provide income for the Group up to 2012. In London there are further signs of recovery in the commercial and mixed use sectors. The Group is currently advising on more than 20 projects in London including the former Stock Exchange tower, Thames Exchange and 90 Upper Thames Street in the City of London, together with the Quadrant and the Trocadero in the West End of London.

In accordance with its long term strategy the Group has recently completed a reorganisation of its operational subsidiaries. The Group's operations have been reorganised into four key disciplines in the UK with Waterman Group Ireland and Waterman International remaining separate operations. The objective is to achieve greater efficiency, and to provide a premium service to all clients. Further details of the Group reorganisation are shown overleaf.

All structural consultancy work in the UK has now been combined into one organisation trading as Waterman Structures, which operates UK wide and is one of the 'top 3' consultants in its field. ⁽¹⁾ Major projects are in progress in London, Liverpool, Bristol, Manchester, Leeds, Leicester, Oxford and Wigan and in many cases other Group companies are providing specialist services, as part of a multi-discipline package. Current major projects include 125 Old Broad Street in the City of London, Paradise Street in Liverpool and Tabard Square in South East London. Waterman Structures has a substantial long term order book, with projects spanning to 2012.

⁽¹⁾ Source – Construction News



The Group's civil engineering subsidiary, now renamed Waterman Civils, has expanded its operations during the year and has been increasingly involved in the rail, highways and transportation sectors. Projects in progress during the year include: White City stations and bridgeworks, Moor Street station in Birmingham, Oakham bypass in Rutland and A45 upgrades in the West Midlands. The Group's rail mapping database AutoRail™ is being extended to cover the entire Network Rail system, and further updates will be undertaken in future years. Waterman Aspen, the Group's specialist outsourcing company, has expanded during the year and currently employs 220 staff who are seconded to 90 separate clients, predominantly in the public sector, throughout the UK. This diversity means that the business is not over-exposed to any individual client.

The Group's three environmental consultancies have all grown during the year and currently cover an even wider range of expertise. All major planning applications now require an Environmental Impact Assessment (EIA) to demonstrate that the environmental effects of a new development are acceptable. Waterman is now one of the major providers of EIA services and the market is expected to grow rapidly in the future. CPM, the Group's specialist planning and design consultancy, has advised the Countryside Agency on the new South Downs National Park and has also advised on new residential developments in Cambridgeshire, West Sussex and Buckinghamshire. Waterman Sustainable Energy has now completed its second year of operations. During the year it has advised on a number of PFI waste management projects and is very active in the Biomass and Biofuel programmes together with the development of carbon management systems, which will significantly reduce fossil fuel CO₂ emissions in the years ahead.

The Group's mechanical and electrical consultancy, now renamed Waterman Building Services, has advised on a number of major projects including whitecity™, west London where the designs of the stations, infrastructure and the retail centre have been progressed during the year. Other large projects in progress include Eastside in Nottingham and 14 Cornhill in the City of London. Further development work has been completed on the use of advanced 3D design software which provides effective co-ordination of building services and a comprehensive database as an aid to future facilities management.

In Ireland, the Group's Dublin based consultancy, Moylan, has had another year of strong growth. Staff numbers have increased to 70 during the year, in response to the increasing workload. The company has been particularly strong in the mixed use development sector in the Dublin area, advising on a number of major projects at the Grange in North Dublin, Pelletstown and Dun Laoghaire. In addition, the company is well placed to participate in the Irish Government's major infrastructure programme which is expected to provide a significant future source of work. The long term order book stands at a record level.

Waterman International, which handles all Waterman's work outside the UK and Ireland, has continued to make progress during the year. In particular, the new offices in Beijing and Dubai have been successful in generating substantial new projects. These include Haithe River masterplan, Tianjin in China and Dubai Festival City in the UAE. China and Dubai are two of the world's largest construction markets, offering considerable potential for future growth. In Moscow, where Waterman has been established for 14 years, there is an increasing number of new opportunities in the local property market, and the staffing level has been increased to 40 in response to greater client demand. In Australia, the



Group's subsidiary, Waterman AHW has advised on Nortel headquarters and King Street Wharf in the Sydney area and is leading the Group's engineering teams in Dubai. As part of the Group's strategy a structural engineering team has been added in Sydney, creating a multi-discipline business. Consultancy advice is being given on new projects in Vietnam.

During the year the Group has continued to provide consultancy services to a number of consortia on PFI and PPP projects. These projects include Government offices, schools, hospitals, defence establishments and waste management projects. The final phase of HM Treasury building in Whitehall was successfully completed in November 2004. Currently, Waterman is advising on ten private finance projects, which are expected to provide a significant source of income in future years.

The Group has continued to secure a number of long term framework agreements. Around 40 agreements are currently active for clients which include British Nuclear Group, Crawley Borough Council, The Highways Agency and Sheffield University.

Strategy

The Group's strategy is to build on its existing strengths and expertise in its current markets, whilst developing new areas of business which will deliver long term growth and profitability in the future. Recent new ventures in Dubai and China have already delivered better than expected results and the recent development of new Biofuel technology is seen as an excellent prospect for the future. The Group plans further expansion through organic growth, supplemented by selective acquisitions of high quality complementary businesses.

Acquisitions

On 6 April 2005 the Group acquired 100% of the share capital of Quadrant Consulting Ltd, a consulting engineer specialising in the design and management of civil and structural engineering projects, based in Cardiff. The acquisition of Quadrant secures the services of a well respected consultancy in Wales which will complement the Group's framework agreement with the Welsh Assembly and extends the Group's network of UK offices. Current projects include North Dock, Llanelli and Matrix Park, Swansea.

Employee Relations

The quality, reliability and commitment of Waterman employees underpins the Group's reputation and success. The level of repeat business from regular clients is a testament to their respect for the professionalism and reliability of our staff. Great emphasis is placed on development and training of all staff in order to facilitate continuous professional improvement both for the individual and the Group.

The Group rewards its staff through a range of salary and benefit packages including free shares in the company. A share option scheme operates to provide senior management with the opportunity to acquire ordinary shares and a proposal to introduce a long term incentive plan will be presented for shareholder approval at the annual general meeting.



Most engineering and environmental disciplines now operate a flexible benefit scheme which enables employees to select from a range of benefits. This new scheme forms an important part of the Group's recruitment and retention strategy and has been well received by staff. We hope to have the opportunity to extend the range of benefits offered in future years.

I welcome this opportunity to thank all members of staff for their valuable contribution to the success of the Group over the past year.

Board Appointments

On 4 May 2005 the Group announced the retirement of William Mathieson from the post of non-executive chairman. The Board is very grateful for the support and leadership that William provided over a period of many years, during which the Group achieved considerable expansion. Following William's retirement I was delighted to be elected as Waterman's new chairman with effect from 4 May 2005.

On 1 July 2005 the Board appointed John Waiting, aged 48, as a new executive director, with responsibility for the Group's civil engineering activities. John has considerable experience in the civil engineering sector and his appointment is in line with the Group's long term succession strategy.

Future Prospects

The Group's substantial long term order book has been strengthened during the year and good progress has been made in all sectors. The urban regeneration sector continues to perform strongly and the Group has secured an increased number of new commissions for commercial projects in London. We anticipate that further gains in efficiency will be achieved following the reorganisation of the Group into six distinct operating companies.

At this stage, it is difficult to anticipate whether the recent improvement in margins is sustainable in the longer term. However, having returned to higher levels of profitability in the last year and with all sectors currently performing well, the Group expects to make further progress in the current financial year.

Roger Fidgen
Chairman



Group Profit & Loss Account for the year ended 30 June 2005

		Year ended 30 June 2005	Year ended 30 June 2004
	Notes	£'000	£'000
Work done		72,633	65,019
Operating profit before goodwill amortisation		4,260	2,908
Goodwill amortisation		(833)	(768)
Operating profit		3,427	2,140
Exceptional item - profit on disposal of fixed asset		-	258
Net interest payable		(296)	(386)
Profit on ordinary activities before taxation		3,131	2,012
Taxation on profit on ordinary activities	3	(1,191)	(605)
Profit on ordinary activities after taxation		1,940	1,407
Equity minority interests		(32)	1
Profit on ordinary activities after taxation and minority interests		1,908	1,408
Dividends		(1,451)	(1,362)
Retained profit for the year	4	457	46
Basic earnings per share	5	6.9p	5.1p
Diluted earnings per share	5	6.7p	5.0p
Basic earnings per share before goodwill amortisation	5	9.8p	7.8p
Diluted earnings per share before goodwill amortisation	5	9.6p	7.8p
Dividend per share	5	5.2p	4.9p

Statement of Group Total Recognised Gains and Losses

for the year ended 30 June 2005

	£'000	£'000
Profit for the financial year	1,908	1,408
Exchange adjustment offset in reserves	150	(123)
Total gains and losses recognised since last annual report	2,058	1,285



Group Balance Sheet

as at 30 June 2005

	2005 £'000	2004 £'000
Fixed assets		
Intangible assets	10,299	10,340
Tangible assets	12,087	12,084
Investments	10	10
	22,396	22,434
Current assets		
Work in progress	1,351	925
Debtors (including amounts recoverable on contracts)	32,697	29,128
Cash at bank and in hand	3,975	3,862
	38,023	33,915
Creditors (amounts falling due within one year)	(27,362)	(23,418)
Net current assets	10,661	10,497
Total assets less current liabilities	33,057	32,931
Creditors (amounts falling due after more than one year)	(5,314)	(6,809)
Provision for liabilities and charges	(1,338)	(505)
Net assets	26,405	25,617
Capital and reserves		
Called up share capital	2,791	2,780
Share premium account	11,452	11,423
Merger reserve	2,146	2,110
Profit and loss account	9,312	8,697
Equity shareholders' funds	25,701	25,010
Equity minority interest	704	607
Capital employed	26,405	25,617



Group Cash Flow Statement

as at 30 June 2005

	Note	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Net cash inflow from operating activities	A	5,731	5,122
Returns on investments and servicing of finance			
Interest received		188	88
Interest paid		(452)	(463)
Dividend paid to equity minority interest		-	(50)
Interest paid on hire purchase contracts		(2)	(11)
		(266)	(436)
Taxation			
Taxation paid		(782)	(519)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,463)	(1,044)
Proceeds from sale of tangible fixed assets		40	387
		(1,423)	(657)
Acquisitions			
Purchase of subsidiary undertakings		(1,140)	(1,415)
(Overdraft) / cash acquired with subsidiary		(68)	38
		(1,208)	(1,377)
Equity dividends paid		(1,363)	(1,360)
		Cash inflow	
before financing		689	773
Financing			
Issue of ordinary share capital		36	20
Receipt of bank loans		-	128
Repayment of loans		(409)	(402)
Capital element of hire purchase payments		(64)	(87)
Purchase of shares by Waterman Trustees Limited		(96)	(89)
Sale of shares by Waterman Trustees Limited		-	91
		(533)	(339)
Increase in cash in the year		156	434



Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Note		
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	3,427	2,140
Profit on disposal of fixed assets	(18)	(2)
Depreciation	1,469	1,552
Goodwill amortisation	833	768
Shares granted under the Share Incentive Plan	104	86
Movement in work in progress	(225)	3,391
Movement in debtors	(3,275)	(8,552)
Movement in creditors	2,584	6,128
Movement in provision for liabilities and charges	832	(389)
Net cash inflow from operating activities	5,731	5,122

b) Analysis of net debt

	1 July 2004 £'000	Cashflow £'000	Other non-cash changes £'000	Exchange movements £'000	30 June 2005 £'000
Cash at bank and in hand	3,862	101	-	12	3,975
Bank overdrafts	(512)	55	-	6	(451)
	3,350	156	-	18	3,524
Debts due within one year	(1,486)	1,297	(1,756)	(5)	(1,950)
Debts due after one year	(6,698)	-	1,434	-	(5,264)
Hire purchase due within one year	(61)	64	(63)	(1)	(61)
Hire purchase due after one year	(111)	-	61	-	(50)
	(8,356)	1,361	(324)	(6)	(7,325)
Total	(5,006)	1,517	(324)	12	(3,801)



c) Reconciliation of net cashflow to net debt

	30 June 2005	30 June 2004
	£'000	£'000
Increase in cash in the year	156	434
Reduction in borrowings	1,039	334
Inception of hire purchase leases	(2)	(18)
	1,193	750
Exchange adjustments	12	34
Net debt at 1 July 2004	(5,006)	(5,790)
Net debt at 30 June 2005	(3,801)	(5,006)

Notes

1. The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 June 2004 and 2005. The financial information in respect of the year ended 30 June 2005 is unaudited. Statutory accounts for the year ended 30 June 2004, on which the auditors gave an unqualified report pursuant to section 237 (2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

2. On the 6 April 2005 the Group purchased 100% of the issued share capital of Quadrant Consulting Limited, a structural and civil engineering consultancy based in Cardiff, S.Wales for a consideration of £369,000. The company was subsequently renamed Waterman Quadrant Limited.

In the year ended 30 June 2005, Waterman Quadrant contributed £199,000 to work done and £11,000 to operating profit before goodwill amortisation.

3. The tax charge for the year of £1,191,000 represents an effective rate of 30.0% on profit on ordinary activities before goodwill amortisation. Profits earned in Ireland have attracted the low prevailing rate of 12.5%.

4. The movement in retained profit comprises the following:

5. The basic earnings per share has been calculated on the profit on ordinary activities after taxation and minority interest and is based on a weighted average of 27,844,927 ordinary shares (30 June 2004: 27,792,927).

The diluted earnings per share has been calculated on the profit on ordinary activities after taxation and minority interest and is based on a weighted average of 28,574,478 ordinary shares (30 June 2004: 28,419,608).

The basic earnings per share before goodwill amortisation has been calculated on the profit on ordinary activities after taxation and minority interest and after adding back goodwill amortisation of £833,000



(2004: £768,000) and is based on a weighted average of 27,844,927 ordinary shares (30 June 2004: 27,792,927).

The diluted earnings per share before goodwill amortisation has been calculated on the profit on ordinary activities after taxation and minority interest and after adding back goodwill amortisation of £833,000 (2003: £768,000) and is based on a weighted average of 28,574,478 ordinary shares (30 June 2004: 28,419,608).

6. An interim dividend of 1.9p per share (2004: 1.9p) was paid on 20 April 2005. A final dividend of 3.3p (2004: 3.0p) which will be recommended by the directors for approval at the Annual General Meeting.

7. The Annual Report and Accounts for Waterman Group plc for the year ended 30 June 2005 are to be posted to shareholders on 29 October 2005 and will be available to members of the public from that date from the Group's registered office at Pickfords Wharf, Clink Street, London SE1 9DG.

8. The Annual General Meeting will be held on Tuesday 6 December 2005 at 12.00 noon at The Apothecaries Hall, Blackfriars Lane, London EC4. The final dividend if approved will be paid on 15 December 2005 to shareholders on the register on 18 November 2005.