



Waterman Boosted by Organic Growth as Both UK and Overseas Operations Expand

Waterman Group plc, one of the UK's leading multidisciplinary engineering and environmental consultancies, today announces its preliminary results for the year ended 30 June 2006.

- Revenue increased to £83.7m (2005: £72.7m)
- Profit before tax increased to £4.2m (2005: £3.8m)
- Basic earnings per share of 9.7p (2005: 8.7p)
- Final dividend proposed up to 3.4p (2005: 3.3p)
- Net Asset Value per share up to 105p (2005: 102p)
- Substantial long term order book
- Major new international projects awarded

- Major Urban Regeneration projects continue at:
 - Whitecity TM, West London
 - The Paradise Project, Liverpool
 - Broadmead redevelopment, Bristol
 - The Shires, Leicester

- Major new appointments including:
 - Trocadero, London
 - Former Stock Exchange Tower, London
 - 1 Wood Street, City of London
 - Watermark Place, London

- Key international projects:
 - Point Depot concert venue, Dublin
 - International Financial Centre, Dubai
 - Master plan - Tianjin, China
 - Moscow City Tower

Commenting on the results, Bob Campbell, Managing Director said, 'We are delighted with the performance that the group has delivered. We have taken steps to broaden the services that we offer and, we are benefiting from the increased range of opportunities that are available to us. There has been a significant growth in the demand for our multi-disciplinary services. We are working on many of the UK's largest construction and regeneration projects, many of which offer good opportunities for a number of our different operations. We are experiencing significant growth from our overseas businesses.

'The future for the group is excellent. We anticipate further organic growth and we continue to evaluate a number of bolt-on acquisitions. We are looking at the future with confidence.'

-ends-

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Chairman's Statement

In the year to 30 June 2006, I am pleased to report that, under the new IFRS reporting standards, Waterman Group achieved an increased pre tax profit of £4.2m (2005 : £3.8m) on revenue of £ 83.7m (2005 : £ 72.7m). Basic earnings per share were 9.7p (2005: 8.7p) and net assets per share stand at 105p (2005 : 102p). The board is recommending an increased final dividend of 3.4p (2005 : 3.3p) per share. This final dividend, with the increased interim dividend of 2.0p, which was paid on 19 April 2006, makes a total dividend for the year of 5.4p (2005 : 5.2p). The final dividend will be payable on 15 December 2006 to all shareholders on the register on 24 November 2006.

These results demonstrate a significant growth in revenue and profits compared to the previous financial year. This has been achieved principally by organic growth, with all divisions reporting increased levels of activity.

Group Activities - UK

During the year all of the Group's UK based companies have performed well and excellent progress has been made on a number of the UK's largest projects, many of which have been awarded on a multi-discipline basis. These include major urban regeneration projects in London, Bristol, Nottingham, Leicester, Leeds and Liverpool. In London, the Group is working on an increasing number of new commercial and mixed use projects, as the market continues to recover and a significant number of long term framework agreements have been secured with major clients.

Building Services

Waterman Building Services, the Group's specialist mechanical and electrical consultancy, has had a successful year. The company has advised on a wide range of projects across all sectors including retail, commercial, residential, education and healthcare. Retail projects include whitecity™ in West London, Met Quarter in Liverpool, Central Fife Retail Park and a roll out programme of new dealerships for Audi UK. Advice is also being given to Aspire consortium for the Aldershot Garrison project under the government's private finance initiative programme.

Civil Engineering

The Group's civil engineering activities have grown significantly during the year, with increased turnover in the rail, highway and development infrastructure sectors. Waterman Civils Limited has been appointed by the Highways Agency to the National Project Support Services Framework, following a challenging selection process, which is expected to produce significant additional workload over the next five years. In the rail sector the asset mapping database 'Autorail' continues to be rolled out with the objective of covering the entire network. This system has become the 'industry standard' and will be developed further in future years. The construction of the new whitecity™ underground depot in West London and the alterations to Moor Street Station in Birmingham have been completed. At Heathrow Airport, the design of the World Cargo Centre has been completed.

Waterman Aspen, the Group's civil engineering outsourcing specialist has continued to develop its unique position in the market. Staff numbers have grown from 220 up to 260 during the year. Clients include the Highways Agency, The Scottish Executive and many county, city and borough councils. Recruitment difficulties in the sector have led to strong demand from the company's increasingly diverse client base. Continued expansion is planned for the current year.

Environmental Services

The Group's environmental consultancies, Waterman Environmental, Waterman CPM and Waterman Sustainable Energy, have all performed well during the year. Waterman Environmental has grown strongly during the year and has successfully delivered an increasing number of environmental impact assessments (EIA's) and strategic environmental assessments (SEA's). These are essential elements in new planning



applications. Due diligence reports have been provided in connection with a number of large corporate transactions with an aggregate value in excess of £10 billion. Waterman CPM, which provides innovative planning and design solutions has expanded its Cirencester office and continued to develop its operations in Warrington. Projects include Piccadilly Barn development in Manchester and the Shropshire Hills Area of Outstanding Natural Beauty. Waterman Sustainable Energy continues to advise its clients on a number of major waste management schemes, Biomass and Biofuel projects and carbon management systems. In view of the considerable importance of this sector, the Group plans further investment in the current year.

Structural Engineering

Waterman Structures is the Group's principal provider of structural engineering services within the UK.

In 2005 the business was reorganised to combine the structural operations in London, the Midlands, the North of England and Scotland. Major projects in progress include some of the UK's largest construction contracts: The Paradise Project, Liverpool, Broadmead, Bristol and The Shires, Leicester. The forward order book contains a number of other major new commissions, which will provide a workflow for the next five years. In the education sector, current projects include new schools programmes in Yorkshire and Scotland and in healthcare, advice has been provided for a number of new hospitals including the new Leicester Pathway project. In the industrial sector, construction is now in progress on a major new printing works for News International at Broxbourne in Hertfordshire.

Group Activities - Overseas

Work in Ireland is handled by Moylan, the Group's Dublin based multidiscipline consultancy. During the year a record volume of work has been successfully completed. Civil and structural design work for the residential sector represents the largest part of the business, however, considerable progress has been made in gaining commissions in the new public sector infrastructure programme. Staff numbers have increased and additional office space has been leased in Dublin. The company has an excellent long term order book.

During the year the Group's International operation has grown rapidly, with significant new project wins in some of the world's fast growing construction markets, including Russia, China and United Arab Emirates. In Russia, the order book comprises new buildings with an aggregate floor area in excess of 1.5 million m², including Moscow City Tower which is a 600m tall building designed by Foster and Partners for the STT development company. In China, recent master planning successes are expected to lead to new commissions in Tianjin. In Dubai, progress has been made on Dubai Festival City, the International Financial Centre and two 60 storey tower buildings designed in conjunction with French architects ADP. In Australia, the Group's Sydney-based company, Waterman AHW, has successfully completed the Latitude East commercial tower building and the Norwest Business Park.

Acquisitions

On 9 December 2005 the Group acquired 100% of the share capital of JP EnviroSystems, a specialist environmental consultancy based in London and Sheffield. The company now trading as Waterman EnviroSystems, advises on operational permits, environmental management and professional training. Since joining the Group the company has continued to grow and has made a positive contribution to the Group's environmental business.

On 26 October 2005, the Group acquired an additional 21% interest in its Australian subsidiary, Waterman International (Asia) Pty.

Strategy

Across the Group's operations and regions there remain many opportunities for future organic and acquisitive growth. In the UK, the range of services is being extended by the addition of new energy and environmental services. Outside the UK, the drive continues to build on early successes in Australia, China and the UAE.



Additional resources are being provided to handle the increasing workload in Ireland and Eastern Europe. A long term succession strategy is in place which will ensure full continuity and will provide effective management of all the Group's activities in the future.

Employee Relations

As a service business, our reputation is dependant upon the high quality and continued support of our staff. The level of repeat business from our clients is a reflection of their confidence in our ability to deliver an effective service. I would like to take this opportunity to thank all members of staff for their hard work in the last year during which a record volume of work has been successfully completed.

The Group rewards its staff through a series of salary and benefits packages. Annual awards under the share incentive plan provide free shares to staff who have been employed throughout the financial year. A share option scheme provides senior management with the opportunity to acquire ordinary shares. A long term incentive plan has recently been introduced to provide a tax effective share benefit to management which vests upon the achievement of challenging performance targets.

Waterman Group operates flexible benefit arrangements which enable staff to select from a range of benefits. We are currently developing a secure web based system which will extend the range of benefits currently offered and provide each member of staff with online access to his or her flexible benefit statement.

Future Prospects

The Group has achieved a high level of organic growth during the last financial year and I anticipate that this will continue in the current year. We can also expect a greater contribution from the recent acquisitions and from the fast growing markets in which the Group operates, in the UK and overseas.

The Group's internal reorganisation, implemented last year, is delivering greater efficiency and enhanced levels of service. Our long term order book has continued to grow and we have added a number of important long term framework agreements with major clients, which will continue to deliver increasing volumes of work. All sectors are currently performing well and your Board views the coming year with confidence.

Roger Fidgen
Chairman



Group Income Statement
for the year ended 30 June 2006

	Notes	Year ended 30 June 2006 (unaudited) £'000	Restated Year ended 30 June 2005 (unaudited) £'000
Revenue		83,680	72,712
Employee benefits expense	3	(44,602)	(39,899)
Other operating charges	4	(33,094)	(26,913)
Operating expenses		(77,696)	(66,812)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		5,897	5,530
Depreciation of property, plant and equipment	9	(1,061)	(1,173)
Amortisation of intangible assets	11	(249)	(294)
Operating profit		4,587	4,063
Interest payable	5	(518)	(488)
Interest receivable		145	188
Profit before taxation		4,214	3,763
Taxation	6	(1,421)	(1,299)
Profit for the financial year from continuing operations		2,793	2,464
Profit attributable to - Equity shareholders	19	2,749	2,432
- Minority interests		44	32
		2,793	2,464
Basic earnings per share	8	9.7p	8.7p
Diluted earnings per share	8	9.5p	8.5p
Dividend paid per share	8	5.3p	4.9p
Dividend proposed per share	8	3.4p	3.3p



Group Balance Sheet as at 30 June 2006

	Notes	As at 30 June 2006 (unaudited) £'000	Restated As at 30 June 2005 (unaudited) £'000
ASSETS			
Non-current assets			
Goodwill	11	11,128	10,955
Intangible assets	9	335	365
Property, plant and equipment	10	13,536	13,795
Loan and receivables	12	10	10
		25,009	25,125
Current assets			
Trade and other receivables	14	35,611	33,800
Cash and cash equivalents		3,332	3,975
		38,943	37,775
Total assets		63,952	62,900
LIABILITIES			
Current liabilities			
Trade and other payables	15	(24,264)	(23,478)
Financial liabilities - borrowings	16	(1,251)	(2,463)
Current tax liability		(583)	(1,041)
		(26,098)	(26,982)
Non-current liabilities			
Financial liabilities - borrowings	16	(4,927)	(5,314)
Provisions	23	(2,023)	(1,262)
Deferred tax liability	24	(1,042)	(924)
		(7,992)	(7,500)
Total liabilities		(34,090)	(34,482)
Net assets		29,862	28,418
Equity			
Share capital	17	2,856	2,791
Share premium account	19	11,685	11,452
Merger reserve	19	2,146	2,146
Revaluation reserve	19	1,450	1,450
Profit and loss account	19	11,361	9,875
Total shareholders' equity		29,498	27,714
Minority interest		364	704
Total equity		29,862	28,418



Group Cash Flow Statement
for the year ended 30 June 2006

	Note	Year ended 30 June 2006 (unaudited) £'000	Restated Year ended 30 June 2005 (unaudited) £'000
Cash flows from operating activities			
Cash generated from operations (see below)		5,899	5,731
Interest paid		(477)	(454)
Interest received		145	188
Tax paid		(1,581)	(782)
Net cash from operating activities		3,986	4,683
Cash flows from investing activities			
Purchase of subsidiary undertakings		(582)	(320)
Deferred consideration paid		(1,272)	(888)
Purchase of intangible fixed assets		(150)	(264)
Purchase of property, plant and equipment (PPE)		(901)	(1,199)
Proceeds from sale of PPE		32	40
Net cash used in investing activities		(2,873)	(2,631)
Cash flows from financing activities			
Share issues		298	36
Repayments of borrowing		(445)	(409)
Repayments on finance leases		(62)	(64)
Equity dividends paid		(1,499)	(1,363)
Purchase of shares by Waterman Trustees Limited		(165)	(96)
Net cash used in financing activities	21	(1,873)	(1,896)
Effect of exchange rate changes	21	21	18
Net increase in cash and cash equivalents		(739)	174

Cash generated from operations			
Profit for the financial year		2,793	2,464
Taxation	6	1,421	1,299
Interest payable	5	518	488
Interest receivable		(145)	(188)
Amortisation of other intangible assets		249	294
Impairment of goodwill	11	-	177
Depreciation		1,061	1,173
Profit on disposal of property, plant and equipment (PPE)	9	1	(18)
Shares granted under the SIP		144	104
Non cash charge		35	54
Changes in working capital			
Decrease / (increase) in inventories		-	(595)
Increase in trade and other receivables		(1,683)	(4,229)
Increase in trade and other payables		785	3,332
Increase in provisions		720	781
Cash generated from operations (see above)		5,899	5,731



Group Statement of Changes in Shareholders' Equity
for the year ended 30 June 2006

	Share capital	Share premium	Merger reserve	Revaluation reserve	Profit and loss account	Total	Minority interest	Total Equity
Balance at 1 July 2004	2,780	11,423	2,110	1,450	8,508	26,271	607	26,878
Currency translation adjustments	-	-	-	-	150	150	65	215
Deferred tax charge for the year	-	-	-	-	86	86	-	86
Share based payments charge for the year	-	-	-	-	54	54	-	54
Adjustment in respect of Share Incentive Plan	-	-	-	-	6	6	-	6
Profit on disposal of own shares	-	-	-	-	2	2	-	2
Income recognised directly in equity	-	-	-	-	298	298	65	363
New ordinary shares issued	11	29	36	-	-	76	-	76
Profit for the financial year	-	-	-	-	2,432	2,432	32	2,464
Dividend	-	-	-	-	(1,363)	(1,363)	-	(1,363)
Balance at 30 June 2005	2,791	11,452	2,146	1,450	9,875	27,714	704	28,418
Currency translation adjustments	-	-	-	-	21	21	(18)	3
Deferred tax charge for the year	-	-	-	-	201	201	-	201
Share based payments charge for the year	-	-	-	-	35	35	-	35
Adjustment in respect of Share Incentive Plan	-	-	-	-	(21)	(21)	-	(21)
Acquisition of 21% of minority interest in subsidiary undertaking	-	-	-	-	-	-	(366)	(366)
Net income expense recognised directly in equity	-	-	-	-	236	236	(384)	(148)
New ordinary shares issued	65	233	-	-	-	298	-	298
Profit for the financial year	-	-	-	-	2,749	2,749	44	2,793
Dividend	-	-	-	-	(1,499)	(1,499)	-	(1,499)
Balance at 30 June 2006	2,856	11,685	2,146	1,450	11,361	29,498	364	29,862



Notes to the Cash Flow Statement

a) Analysis of net debt

	1 July 2005 £'000	Cashflow £'000	Other non-cash changes £'000	Exchange movements £'000	30 June 2006 £'000
Cash balances	3,975	(664)	-	21	3,332
Bank overdrafts	(451)	(96)	-	-	(547)
Cash and cash equivalents	3,524	(760)	-	21	2,785
Current					
Bank loans	(1,950)	1,717	(425)	(8)	(666)
Finance leases	(61)	62	(12)	(2)	(13)
Non-current					
Bank loans	(5,264)	-	350	-	(4,914)
Finance leases	(50)		12		(38)
	(7,325)	1,779	(75)	(10)	(5,631)
Total	(3,801)	1,019	(75)	11	(2,846)

b) Reconciliation of net cashflow to net debt

note 21 reconciliation of net cash flow to net debt	30 June 2006 £'000	30 June 2005 £'000
(Decrease) / increase in cash balances in the year	(664)	113
(Increase) / decrease in bank overdrafts in the year	(96)	43
(Decrease) / increase in cash in the year	(760)	156
Net reduction in borrowings	1,704	1,039
Inception of hire purchase leases	-	(2)
Movement in net debt resulting from cash flows	944	1,193
Exchange adjustments	11	12
Movement in net debt in the year	955	1,205
Net debt at 1 July 2005	(3,801)	(5,006)
Net debt at 30 June 2006	(2,846)	(3,801)



Notes

1. The Preliminary Announcement for the twelve months ended 30 June 2006 which does not constitute the Group's statutory accounts as defined in Section 240 of the Companies Act 2005 was approved by the directors on 3 October 2006.

The Preliminary Announcement is unaudited but has been reviewed by the independent auditors. The disclosures made meet the requirements of the Listing Rules.

The comparative figures for the financial year ended 30 June 2005 which are based on the financial statements for that year, adjusted for the effects of IFRS, are unaudited. The report of the auditors on the financial statements for the year ended 30 June 2005 which were prepared in accordance with UK GAAP was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The financial statements for the financial year ended 30 June 2005 have been delivered to Companies House.

The comparative financial statements for the year ended 30 June 2005 incorporate restatements with regard to the revaluation of freehold property to its fair value as at the date of transition to IFRS, in accordance with IFRS 1, increase net assets by £1.45m and reclassifications of the debtor and creditor balances relating to construction contracts in accordance with IAS 11 had no impact on net assets or profit for the year. The date of transition to IFRS from UK GAAP for the Group was 1 July 2004. The significant changes arising from the transition are as set out in our Interim Report.

2. On 9 December 2005, the Group acquired 100% of the issued share capital of JP EnviroSystems Limited, an environmental consultancy based in Sheffield for a maximum consideration of £325,000. The company was subsequently renamed Waterman EnviroSystems Limited however its trade has been transferred to Waterman Environmental Limited.

On 26 October 2005, the Group acquired an additional 21% interest in its Australian subsidiary, Waterman International (Asia) Pty for A\$700,430 plus expenses.

3. The tax charge for the year of £1,421,000 represents an effective rate of 33.7% on profit before taxation. Full provision is made for taxation in Ireland where the corporate tax rate is 12.5%.

4. The basic earnings per share has been calculated on the profit attributable to equity shareholders and is based on a weighted average of 28,243,803 ordinary shares (30 June 2005: 27,844,927).

The diluted earnings per share has been calculated on the profit attributable to equity shareholders and is based on a weighted average of 29,012,872 ordinary shares (30 June 2005: 28,574,478).

5. An interim dividend of 2.0p (2005: 1.9p) was paid on 19 April 2006. A final dividend payable of 3.4p per share (2005: 3.3p) will be recommended by directors for approval at the Annual General Meeting.

6. The maintenance of the website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the Preliminary Announcement since it was initially presented on the website.

7. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions

8. The Annual Report and Accounts for Waterman Group plc for the year ended 30 June 2006 are to be posted to shareholders on 1 November 2006 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.

9. The Annual General Meeting will be held on Tuesday 5 December 2006 at 12.00 noon at The Apothecaries Hall, Blackfriars Lane, London EC4. The final dividend if approved will be paid on 15 December 2006 to shareholders on the register on 24 November 2006.