



WATERMAN REPORTS OVERSEAS GROWTH AS KEY MARKETS REMAIN BUOYANT

Waterman Group plc, one of the UK's leading multidisciplinary engineering and environmental consultancies, today announces its interim results for the six months to 31 December 2006.

- Revenue increased to £47.7m (2005: £40.3m)
- Profit before tax increased to £2.27m (2005: £2.01m)
- Basic earnings per share of 4.9p (2005: 4.6p)
- Interim dividend up to 2.2p (2005: 2.0p)
- Revenue from overseas operations up 64%
- Completion of AHW (Victoria) Australian acquisition
- Major Urban Regeneration projects continue at:
 - whitecity, West London
 - Paradise Street, Liverpool
 - Cabot Development, Bristol
 - High Cross Quarter, Leicester
 - Princess Quay, Hull
 - Westgate Centre, Oxford
 - Eastside, Nottingham
 - Portsmouth Northern Quarter
- Major new appointments including:
 - Kings Cross development, London
 - Napier Park, Luton
 - Bankside 4, London
 - 27 Poultry, London
- Key international projects:
 - Festival City, Dubai
 - International Finance Centre, Dubai
 - Master plan - Tianjin, China
 - Office Tower, Moscow
 - New Holland, St Petersburg, Russia
 - Darling Island Development, Sydney, Australia
 - Royal Children's Hospital, Melbourne, Australia

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

"Waterman is in excellent health. Our markets are buoyant and we are winning a broad range of prestigious assignments both in the UK and overseas. The growth of our overseas operations has been particularly encouraging and revenue from these businesses now accounts for over a quarter of the Group's turnover. We continue to make a number of strategic acquisitions which strengthen our presence in a number of new territories.

"Looking forward, we are confident that we will continue to deliver an improving performance. Our markets are robust and we are making further investments in the near term to maintain our growth momentum in these exciting markets."

-ends-

Date: 9th March 2007

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CHAIRMAN'S STATEMENT

I am pleased to report that, in the six months to 31 December 2006, Waterman Group achieved an increased pre tax profit of £2.27m (2005 : £2.01m) on revenue of £47.7m (2005 : £40.3m). Basic earnings per share increased to 4.9p (2005 : 4.6p) and the Board has decided to increase the interim dividend to 2.2p per share (2005 : 2.0p) payable on 19 April 2007 to shareholders on the register on 23 March 2007.

Group Activities – UK

During the first six months of the financial year Waterman has achieved continued organic growth and good progress has been made on a number of the UK's largest urban regeneration projects. These include Paradise Development in Liverpool, Cabot in Bristol, whitecity in London and High Cross Quarter in Leicester. In London, the inflow of new orders is most encouraging, as the commercial and residential markets continue to strengthen.

The Group's structural engineering specialist, Waterman Structures Ltd, has continued to perform strongly with major projects in progress which include Princess Quay in Hull, Westgate in Oxford and the new Dakota Hotel at Farnborough. The order book of new work includes the first phase of the major Kings Cross development in London, a number of residential tower buildings and retail developments. Work on the main newsprint facility for News International at Broxbourne in Hertfordshire is nearing completion.

The Group's civil engineering activities have grown during the year, with a number of important projects in progress, including two new stations for London Underground Ltd and Parkside rail freight depot on Merseyside. The new Central Line depot at White City for London Underground Ltd has been successfully completed and the new Oakham bypass (A606) was officially opened in January 2007. A number of new commissions have been secured including Castlewood Grange at junction 28 of the M1. A further AutorailTM commission has also been awarded, to update and extend the route maps and databases of the UK's rail network. Waterman Aspen, the Group's specialist outsourcing company, has continued to grow, with a number of new clients being added during the period.

The environmental sector continues to expand with a further contribution from JP Envirosystems (acquired in 2005), accompanied by sustained organic growth. The demand for Environmental Impact Assessments (EIA's) and Strategic Environmental Assessments (SEA's) continues to grow and a number of major EIA's have recently been secured in the UK and overseas including developments in London and Merseyside in the UK and Domdedovo in Russia. The emerging overseas markets are becoming increasingly aware of environmental issues, and this is expected to provide further opportunities for the Group in the future. Waterman CPM, the Group's Cirencester based consultancy is advising on the Old Brewery in Tadcaster and the redevelopment of South Crofty tin mine in Cornwall. Sustainable energy advice has been given for energy and carbon management and new technology developments include advising on Europe's first synthetic diesel plant, producing fuel compliant to EU4 standard from up to 20 tons of waste plastic per day.

The building services sector has shown encouraging signs of growth during the period. Further progress has been made on a number of projects including whitecity and Watermark Place in London and a number of new commissions have been won across a wide range of sectors. The growing order book includes a number of medical centres, hotels, leisure and industrial developments. Increasingly, advice is being provided to clients on renewable energy sources and low energy buildings for new developments and for retro fitting more energy efficient systems to existing buildings.



Group Activities – Overseas

The Group's revenue from overseas operations has increased by 64% compared to the first six months of financial year 05-06 and provided 28% of the Group's total revenue. The principal areas of growth have been Ireland, Russia, Poland, the Emirates and Australia. Significant new projects have been awarded in Russia and in the Emirates and a new office has been opened in Tianjin, China and new larger offices have been established in Dubai, Warsaw and Moscow to accommodate growing staff numbers. With the recent addition of AHW (Victoria), Waterman now employs 375 staff overseas out of a total headcount of 1550.

The Group's Irish consultancy, Moylan, has continued to expand. Major projects in progress include the Grange and City Junction in North Dublin. An encouraging number of new commissions have been won including Rathbourne Village, Adamstown New Town and six new schools for the Department of Education and Science.

I am pleased to draw shareholders' attention to the size and quality of our overseas projects which are fully commensurate with the Group's prestigious UK portfolio.

Acquisitions

On 1 November 2006 Waterman International (Asia) Pty Ltd acquired a 51% interest in AHW (Victoria) Pty Ltd, a multi discipline consulting engineer based in Melbourne, Australia. The company, which trades as Waterman AHW (Vic) Pty Ltd, is one of the leading consulting engineers in the state of Victoria and the acquisition will strengthen Waterman's access to the Australian and Asian markets. The company is currently trading in line with expectations and, following the acquisition, the Group now employs in excess of 100 staff in Australia.

Future Prospects

Having achieved an increase in revenue of 18.4% during the first six months of the financial year and with a growing order book, the Group is well placed to achieve further growth in the future. New investment is planned in future organic and acquisitive growth in areas and operations which will deliver increased revenue and profitability. The Group's presence in the world's fast growing markets is now well established and the development of Waterman as an international group will remain a high priority. Your board will continue to invest in its operations in the UK and overseas and we view the future with confidence.

R.S. Fidgen
9 March 2007



INDEPENDENT REVIEW REPORT TO WATERMAN GROUP PLC FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 December 2006 which comprises the consolidated interim balance sheet as at 31 December 2006 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the six months then ended and related notes. 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.

Directors' responsibilities

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

This interim report has been prepared in accordance with the basis set out in Note 1.

Review work performed

We conducted our review in accordance with 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 disclosed accounting policies have been applied. 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 and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 31 December 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
London
9 March 2007



GROUP INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Unaudited Six months to 31 December 2006 £'000	Restated 1 Unaudited Six months to 31 December 2005 £'000	Audited Twelve months to 30 June 2006 £'000
Revenue	47,702	40,276	83,680
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3,173	2,809	5,897
Depreciation of property, plant and equipment	(587)	(526)	(1,061)
Amortisation of intangible assets	(108)	(105)	(249)
Operating profit	2,478	2,178	4,587
Interest receivable	81	81	145
Interest payable	(293)	(247)	(518)
Profit before taxation	2,266	2,012	4,214
Taxation	(749)	(711)	(1,421)
Profit for the financial period from continuing operations	1,517	1,301	2,793
Profit attributable to - Equity shareholders	1,412	1,294	2,749
- Minority interests	105	7	44
	1,517	1,301	2,793
Basic earnings per share	4.9p	4.6p	9.7p
Diluted earnings per share	4.8p	4.5p	9.5p
Dividend paid per share	3.4p	3.3p	5.3p
Dividend proposed per share	2.2p	2.0p	3.4p



GROUP BALANCE SHEET AS AT 31 DECEMBER 2006

	Six months to 31 December 2006 Unaudited £'000	Restated ¹ Six months to 31 December 2005 Unaudited £'000	Twelve months to 30 June 2006 Audited £'000
Assets			
Non-current assets			
Goodwill	13,328	11,191	11,128
Intangible assets	288	306	335
Property, plant and equipment	13,543	13,673	13,536
Loan and receivables	10	10	10
	27,169	25,180	25,009
Current Assets			
Trade and other receivables	41,329	33,534	35,611
Cash and cash equivalents	4,898	4,296	3,332
	46,227	37,830	38,943
Current liabilities			
Trade and other payables	28,896	23,184	24,264
Financial liabilities - borrowings	2,472	2,678	1,251
Current tax liability	895	792	583
	32,263	26,654	26,098
Non-current liabilities			
Financial liabilities - borrowings	7,274	5,090	4,927
Provisions	2,329	1,566	2,023
Deferred tax liability	1,042	911	1,042
	10,645	7,567	7,992
Total Liabilities	42,908	34,221	34,090
Net Assets	30,488	28,789	29,862
Shareholders' equity			
Share capital	2,868	2,824	2,856
Share premium account	11,725	11,571	11,685
Merger reserve	2,146	2,146	2,146
Revaluation reserve	1,450	1,450	1,450
Profit and loss account	11,670	10,452	11,361
Total shareholders' equity	29,859	28,443	29,498
Minority interest in equity	629	346	364
Total Equity	30,488	28,789	29,862

**GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

	As at 31 December 2006 Unaudited £'000	Restated ¹ as at 31 December 2005 Unaudited £'000	As at 30 June 2006 Audited £'000
Cash flows from operating activities			
Cash generated from operations	1,989	3,116	5,899
Interest paid	(206)	(221)	(477)
Interest received	81	81	145
Tax paid	(438)	(856)	(1,581)
Net cash from operating activities	1,426	2,120	3,986
Cash flows from investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	(1,092)	(556)	(582)
Part disposal of subsidiary undertaking	13	-	-
Deferred consideration paid	(50)	-	(1,272)
Purchase of intangible fixed assets	(35)	(64)	(150)
Purchase of property, plant and equipment (PPE)	(466)	(401)	(901)
Proceeds from sale of PPE	10	25	32
Net cash used in investing activities	(1,620)	(996)	(2,873)
Cash flows from financing activities			
Share issues	52	152	298
Proceeds from borrowing	2,304	-	-
Repayments of borrowing	(330)	(243)	(445)
Repayments on finance leases	(16)	(23)	(62)
Equity dividends paid	(972)	(930)	(1,499)
Purchase of shares by Waterman Trustees Ltd	(181)	-	(165)
Net cash from / (used in) financing activities	857	(1,044)	(1,873)
Effect of exchange rate changes	(34)	38	21
Net increase / decrease in cash and cash equivalents	629	118	(739)
Reconciliation of profit for the financial period to cash generated from operations			
Profit for the financial period	1,517	1,301	2,793
Taxation	749	711	1,421
Interest payable	293	247	518
Interest receivable	(81)	(81)	(145)
Amortisation of other intangible assets	108	105	249
Depreciation	587	526	1,061
(Profit) / loss on disposal of property, plant and equipment (PPE)	(6)	-	1
Loss on part disposal of subsidiary undertaking	13	-	-
Shares granted under the Share Incentive Plan	118	-	144
Non-cash charge	24	18	35
Changes in working capital			
(Increase) / decrease in Trade and other receivables	(4,875)	443	(1,683)
Increase / (decrease) in Trade and other payables	3,187	(432)	785
Increase in provisions	285	278	720
Cash generated from operations	1,989	(3,116)	5,899



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Revaluation Reserve £'000	Restated ¹ Profit and Loss Account £'000	Total £'000	Minority Interest £'000	Total Equity £'000
Balance at 1 July 2005	2,791	11,452	2,146	1,450	9,875	27,714	704	28,418
Currency translation adjustments	-	-	-	-	81	81	1	82
Deferred tax charge for the period	-	-	-	-	114	114	-	114
Share based payments charge for the period	-	-	-	-	18	18	-	18
Acquisition of 21% interest in subsidiary undertaking	-	-	-	-	-	-	(366)	(366)
Net expense recognised directly in equity	-	-	-	-	213	213	(365)	(152)
New ordinary shares issued	33	119	-	-	-	152	-	152
Profit for the financial period	-	-	-	-	1,294	1,294	7	1,301
Dividend	-	-	-	-	(930)	(930)	-	(930)
Balance at 31 December 2005	2,824	11,571	2,146	1,450	10,452	28,443	346	28,789
Currency translation adjustments	-	-	-	-	(60)	(60)	(19)	(79)
Deferred tax charge for the period	-	-	-	-	87	87	-	87
Share based payments charge for the period	-	-	-	-	17	17	-	17
Adjustment in respect of Share Incentive Plan	-	-	-	-	(21)	(21)	-	(21)
Net income recognised directly in equity	-	-	-	-	23	23	(19)	4
New ordinary shares issued	32	114	-	-	-	146	-	146
Profit for the financial period	-	-	-	-	1,455	1,455	37	1,492
Dividend	-	-	-	-	(569)	(569)	-	(569)
Balance at 30 June 2006	2,856	11,685	2,146	1,450	11,361	29,498	364	29,862
Currency translation adjustments	-	-	-	-	(162)	(162)	3	(159)
Share based payments charge for the period	-	-	-	-	24	24	-	24
Adjustment in respect of Share Incentive Plan	-	-	-	-	(1)	(1)	-	(1)
Profit on disposal of own shares	-	-	-	-	8	8	-	8
Acquisition of 41% effective interest in subsidiary undertaking	-	-	-	-	-	-	138	138
Disposal of 1% of share capital in subsidiary undertaking	-	-	-	-	-	-	19	19
Net income recognised directly in equity	-	-	-	-	(131)	(131)	160	29
New ordinary shares issued	12	40	-	-	-	52	-	52
Profit for the financial period	-	-	-	-	1,412	1,412	105	1,517
Dividend	-	-	-	-	(972)	(972)	-	(972)
Balance at 31 December 2006	2,868	11,725	2,146	1,450	11,670	29,859	629	30,488



NOTES TO THE INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, with the exception of land and freehold property which have been modified to fair value at the date of transition to IFRS. The accounting policies used in the Interim Report are consistent with those the directors intend to use in the next annual financial statements except that the Group has yet to fully review the intangible assets acquired as part of the AHW (Victoria) Pty Ltd purchase. This exercise is to be undertaken prior to the year end and revised goodwill and intangible assets will be reported at that date.

As noted in the Interim Report at 31 December 2005, the Group elected to fair value its freehold property as at the date of transition to IFRS although the values were not available as at the time of that report. The revaluation has now been incorporated into the balance sheet as at 31 December 2005 and increases the profit for that financial period by £2,000 as a result of the reduced depreciation charge.

In accordance with IAS 11 'Construction Contracts', balances have been reclassified into amounts due from and to customers on long term contracts as the directors consider that this disclosure is more appropriate than that previously adopted at 31 December 2005.

The Interim Statement for the six months ended 31 December 2006 which does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 was approved by the directors on 9 March 2007.

The Interim Statement 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 2006 which are based on the financial statements for that year are audited. The report of the auditors on the financial statements for the year ended 30 June 2006 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 2006 have been delivered to Companies House.

2 SEGMENTAL INFORMATION

All revenue and operating profit arose from the Group's principal activity as engineering and environmental consultants. £13,378,000 (31 December 2005: £8,158,000 and 30 June 2006: £15,097,000) of revenue relates to overseas operations in Ireland, Australia, China, the Emirates and Europe. £503,000 (31 December 2005: £372,000 and 30 June 2006: £935,000) of operating profit relates to overseas operations before the apportionment of group overheads.

3 TAXATION

Taxation for the six months ended 31 December 2006 has been calculated at 33% of the profits before taxation, being the estimated effective rate for the year, including £120,000 being the estimated overseas tax charge. The total effective rate for the period has fallen due to the change in the mix of the profits between the different jurisdictions in which the Group operates.

4 EARNINGS PER SHARE

The basic earnings per share has been calculated on the profit attributable to shareholders and based on the weighted average of 28,601,153 shares in issue during the period and ranking for dividend (31 December 2005: 28,029,803 and 30 June 2006: 28,243,803).

The fully diluted earnings per share also takes account of unexercised options potentially convertible into new ordinary shares and shares conditionally awarded in accordance with the Long Term Incentive Plan. The calculation is based on a weighted average of 29,215,654 shares during the period (31 December 2005: 28,890,871 and 30 June 2006: 29,012,872).



5 WATERMAN GROUP PLC WEBSITE

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 interim report since it was initially presented on the website.

6 APPLICABLE LAW

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

7 DISTRIBUTION OF THE INTERIM REPORT

This document is a summary of Waterman Group plc's Interim Report for the six months ended 31 December 2006. Copies of the full Interim Report, in relation to which the Independent Review Report was issued, are being sent to shareholders and are available from the Company Secretary at the company's registered office at Pickfords Wharf, Clink Street, London SE1 9DG.