



global  
sustainable  
innovative  
committed  
collaborative  
passionate

Waterman Group plc  
Interim Report December 2009

# Mission Statement

“To develop innovative, economic and sustainable solutions that successfully meet the needs of our clients, whilst adding value and a better quality of life for all. In doing so, we aim to provide an exciting and rewarding work environment for our employees and a successful, dynamic Group, meeting the aspirations of all our stakeholders”.

## Core Values

### **CLIENT FOCUS**

The company recognises that its success is based on strong client relationships and will strive to provide economic, innovative and sustainable solutions that deliver their expectations.

### **SUSTAINABILITY**

The company recognises its responsibility to the wider community, delivering sustainable solutions that anticipate the effects on future generations.

### **STAFF CARE**

The company values and rewards the contributions of all staff providing a safe, stimulating work environment and is committed to staff development, encouraging all to reach their potential.

### **TECHNICAL EXCELLENCE**

Solutions are to be provided in a highly professional manner in terms of delivery, reliability and value for money with staff having pride in their contribution.

### **TEAMWORK**

The company works with many partners to deliver solutions; it values their contributions and operates in a proactive and co-operative manner to achieve the optimum solution.

### **CORPORATE DEVELOPMENT**

The company is committed to being an economically secure and dynamic business which provides real growth in value to its shareholders, whilst maintaining high professional and ethical standards at all levels.

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# Interim Financial Highlights

	<b>Unaudited Six months to 31 December 2009</b>	Unaudited Six months to 30 June 2009	Unaudited Six months to 31 December 2008
<b>Revenue</b>	<b>£42.9m</b>	£51.3m	£71.1m
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>£2.0m</b>	£1.3m	£5.0m
<b>Profit / (loss) before tax and amortisation of acquired intangible assets</b>	<b>£0.7m</b>	(£0.2m)	£3.3m
<b>Amortisation of acquired intangible assets</b>	<b>(£0.2m)</b>	(£0.3m)	(£0.2m)
<b>Profit / (loss) before tax</b>	<b>£0.5m</b>	(£0.5m)	£3.1m
<b>Net debt</b>	<b>£7.7m</b>	£10.2m	£12.4m
<b>Net asset value per share</b>	<b>131p</b>	126p	133p
<b>Interim / final dividend per share</b>	<b>0.9p</b>	0.9p	1.3p

## Note

The results for the second half of the previous financial year have been included above to enable comparisons to be made with the interim results for the current year.

# Interim Management Report

We have continued to experience challenging trading conditions which have been flat during the last six months albeit at a consistent monthly level.

The revenue and profit achieved have been at the lower end of the board's expectations. Projects associated with property development historically provide over 75% of the company's fee income and the slowdown in this sector in 2009 and lack of recovery to date has impacted on the Group's performance.

In the six months to December 2009, Waterman Group achieved a revenue of £42.9m (2008: £71.1m). Adjusted pre tax profit stands at £0.7m (2008: £3.3m) with pre tax profit of £0.5m (2008: £3.1m). The adjusted pre tax profit includes £0.2m (2008: £0.2m) for amortisation of acquired intangible assets.

The management team has been resolute in managing the business. We have maintained effective working capital management and cash generation. Our net debt has reduced to £7.7m from £10.2m at 30 June 2009. The net asset value is 131 pence per share.

## Group Activities – UK

Waterman operates within the UK in four segmental profit centres based on the following engineering disciplines:-

- Civils
- Structures
- Building Services
- Environmental

Each engineering discipline works in a range of sectors in both the private and public markets. Professional advice and designs provided by the Group range from planning consultancy such as environmental impact assessments and transportation studies through to detailed design and facilities management of completed projects.

Historically, over 70% of Waterman's UK revenue would be from projects in the private property sector such as commercial, retail, residential, industrial and town centre redevelopments. However, during 2009 there has been a significant reduction in projects proceeding, either through planning or to construction. During the second half of 2009 our UK revenue has reduced by 20% compared to the first six months of the year. The private property sector has provided 45% of the UK revenue. The lack of availability of new projects has resulted in greater competition and lower fee levels. Where possible, we have reduced our overheads and costs to re-align the business with the prevailing market conditions. In addition, we have diversified from our core private property markets and have gained an increasing workload in the public sector transportation, energy and utilities sectors. These assignments are in areas which we believe will not suffer from future cuts to spending.

In Scotland, we have been appointed by Scottish and Southern Energy as part of a framework to provide design advice on the upgrade of Scotland's electricity grid network which includes the new Beauly to Denny overhead line works which were approved by the Scottish government in January 2010. This commission is in addition to previous appointments from Scottish and Southern Energy and Scottish Power for the design of four new substations.

At the end of 2009, Waterman was appointed by Transport for London (TfL) for a four year consultancy framework for the provision of civil, structural, mechanical and electrical engineering services and project management services specifically for Railway Engineering Assets, such as stations and depots. The framework agreement covers the members of the TfL Group, including London Underground areas BCV (Bakerloo, Central & Victoria lines) and Sub Surface Lines including District, Circle and Hammersmith & City, together with the Network Rail stations under the jurisdiction of London Overground Rail Operations Ltd. The agreement also allows engagement with The Greater London Authority, Metropolitan Police Services and the London Boroughs.

Our civil engineering outsourcing company has continued to supply engineers into the public sector on secondment and has experienced consistent demand for its services. In the last six months, we have secured new contracts to provide traffic signal expertise to TfL, and highways and transportation support to Derby City Council. Our long standing term commission to supply bridge engineers to the Highways Agency at their offices throughout the UK has been extended and we have further agreements in place to supply highways maintenance engineers on new long term contracts in the Midlands and South Yorkshire.

Work has continued on the early development scheme design for the implementation of Active Traffic Management for the M62 between junctions 18 and 20 for the Highways Agency. Waterman has provided transportation planning advice on the Energy from Waste and Materials Recovery Facility at Rookery South Pit in Bedfordshire for Covanta Energy. The proposed facility is anticipated to produce enough green electricity to power approximately 82,500 homes.

Our environmental businesses have continued to experience very challenging trading conditions during 2009 as planning work, environmental impact assessments and due diligence associated with site and building acquisitions have remained at a depressed level during the year. Key due diligence projects recently completed include advising a consortium of Frogmore and Dorchester

Group in the acquisition of the former RAF base at Upper Heyford, Oxfordshire and Blackstone Group's acquisition of a 50% stake in London's Broadgate Estate.

We have provided sustainability and environmental impact assessments on developments at Albert Embankment, London for Native Land; Nine Elms masterplan, London for Ballymore Group; Crown Wharf at Canning Town for Moonberry Properties; and the O<sub>2</sub> hotel site at Greenwich Peninsula for AEG/Anso Hotels. In the waste sector, our team continue to work for major waste contractors on secured work for the Nottingham and Sheffield integrated waste PFI projects together with appraising new technologies suitable to meet current economic and legislative constraints.

The Group's structures and building services companies primarily provide advice on the design of buildings. During 2009, revenue reduced significantly as new private sector development was curtailed, however revenue was secured in the lower margin education and healthcare sectors where we have generally been working for contractors as part of their design teams. We are currently designing schools on the Lancashire, Middlesbrough, Birmingham, Hertfordshire and Ealing Building Schools for the Future programmes.

Work is progressing on site on Quadrant 3 in Regent Street, London which is a 40,000m<sup>2</sup> mixed use development for The Crown Estate and also the new Ordnance Survey headquarters in Southampton. We have been encouraged by the recent activity in the London commercial and financial sectors. To accommodate Nomura at Watermark Place, a 49,000m<sup>2</sup> building previously designed by Waterman, we have been appointed to design alterations to the building services and structural frame. In addition, we are providing building services advice to Macquarie Group on their new 20,000m<sup>2</sup> London headquarters building at Ropemaker Place, EC2. The level of enquiries for new developments has been increasing and we have recently won commissions for planning and scheme design for three new buildings in EC2, London with a total development area of over 45,000m<sup>2</sup>.

## Group Activities – Overseas

Waterman generates 34% of the Group's total revenue from overseas operations and a great proportion of the fee income is related to private property developments. The downturn in the economy has delayed and in many cases prevented developments moving forward. Our overseas revenue in the first half of the current financial year is 9% lower than in the second half of the previous financial year.

In Europe, the Group's offices in Poland, Belgium, Ireland, Russia and Kazakhstan have been involved in a range of projects at the planning stages and should the economy improve and tenant demand return, several of the developments could proceed to detailed design and construction.

Waterman has offices in Abu Dhabi and Dubai and from these locations are working for Middle East clients in the UAE, Qatar, Syria and Sudan. The structural work on site is nearing completion on the 450,000m<sup>2</sup> Al Muneera retail and residential development in Abu Dhabi on which Waterman is lead consultant providing building services, structures and civil engineering designs. In November 2009, the Crowne Plaza and Staybridge hotels were completed for the Abu Dhabi Formula 1 race on Yas Island. Waterman's appointment to provide facility management advice to Abu Dhabi Motorsports Management has been extended following the successful opening of the race circuit.

In Australia, Waterman's offices in Melbourne, Sydney and Brisbane have been particularly busy with projects in the healthcare and residential sectors. We have recently been appointed for the design of five new and refurbished police stations in New South Wales. In Melbourne, work is progressing well on site on the AU\$1.0bn Royal Children's Hospital and we are also currently involved in the preparation of the technical brief on behalf of the State Government of Victoria for the new AU\$1bn world class comprehensive cancer centre to be built in Parkville, Melbourne.

## Resources

Our utilisation rates have been lower than expected during the first half of the financial year and we have continued to review the alignment of our resources with our anticipated future workload. This has resulted in some further staff reductions, with a one off charge of £0.25m being absorbed within our declared profit for the period.

## Change in ownership of Waterman Emirates Pty Ltd

On 3 November 2009, Waterman Group became owner of 100% of the share capital of Waterman Emirates Pty Ltd. Previously, 20% of the share capital of Waterman Emirates Pty Ltd was held indirectly by a minority shareholder.

Waterman Emirates Pty Ltd conducts business for Waterman Group in the Middle East. In November 2009, we were selected by MAF Properties, based in Dubai, to provide civil and structural engineering advice on a 115,000m<sup>2</sup> retail project, which is phase 1 of a mixed use development in Sabboura, Syria.

## Property

On 24 November 2009, Waterman Group completed the sale of a 580m<sup>2</sup> freehold office property in Southwark, London for £1.57m. The property was revalued in 2004 upon the introduction of IFRS and a small profit has been recognised over its IFRS book value.

We have continued with our strategy for rationalisation of our office accommodation in the UK and Ireland where, as a result of acquisitions, we have had more than one office in the same city. Generally, the consolidation has occurred as leases expire or break clauses arise on currently occupied premises.

## Board of Directors

The roles of the Finance Director and Company Secretary have been reviewed to meet the requirements of the Group's strategy for international diversification and the increase in corporate governance both in the UK and overseas.

On 19 February 2010, Alex Steele was appointed as Finance Director and joins the Board with immediate effect. Graham Hiscocks will continue with his role as director with responsibility for Corporate Governance and as Company Secretary.

Alex Steele joined Waterman Group in March 2008 as Group Divisional Director of Finance and has worked closely with Graham Hiscocks as part of a planned strategy for separating the roles of Finance Director and Company Secretary. Alex is a qualified chartered accountant and she previously worked for PricewaterhouseCoopers in the UK and in Australia.

## Dividend

The basic earnings per share are 0.6p (2008: 6.3p) and the adjusted earnings per share are 1.2p (2008: 6.9p).

The total dividend for the financial year ended June 2009 was 2.2p per share which included a final dividend of 0.9p per share. In view of the current prevailing trading conditions, the Board has decided to declare an interim dividend of 0.9p per share payable on 31 March 2010 to shareholders on the register on 5 March 2010.

## Outlook

A significant proportion of Waterman Group's turnover and profit is generated from the property sector and the markets in which the Group operates have been depressed by the lack of demand resulting from the global recession. Whilst we do not anticipate any significant recovery over the next six months, we remain confident that the demand for our services will increase as clients commit to property development schemes in the future.

We are continuing to target energy and power related work and it is anticipated that further revenue will be generated during 2010 in this growing market.

The public sector in the UK provides 36% of the Group's fee income with our main markets in highways, education, healthcare and rail. We are not immune from any public sector spending cuts, however the Board expects that the impact on the Group will be limited in this financial year.

The Board remains focused on delivering a high quality service on a global basis. Waterman has an excellent reputation and a first class range of clients. Our experienced management team and track record provides the confidence that the Group will make solid progress as market conditions improve.

Roger Fidgen  
Chairman  
22 February 2010

# Independent Review Report to Waterman Group Plc

for the six months ended 31 December 2009

## Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Shareholders' Equity and Notes to Financial Information. We have read the other information contained in the half-yearly financial report 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 report is the responsibility of, and has been approved, by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

## 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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 Ireland) 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 report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
1 Embankment Place  
London  
WC2N 6RH  
22 February 2010

# Consolidated Income Statement

for the six months ended 31 December 2009

		Unaudited Six months to 31 December 2009	Unaudited Six months to 30 June 2009	Unaudited Six months to 31 December 2008
	<i>notes</i>	£'000	£'000	£'000
<b>Revenue-continuing operations</b>	4	<b>42,923</b>	51,261	71,140
Employee benefits expense		(26,608)	(30,469)	(42,018)
Other operating charges		(14,336)	(19,502)	(24,130)
Operating expenses		(40,944)	(49,971)	(66,148)
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>1,979</b>	1,290	4,992
Depreciation of property, plant and equipment		(794)	(861)	(974)
Amortisation of other intangible assets		(447)	(476)	(447)
<b>Operating profit / (loss)</b>	4	<b>738</b>	(47)	3,571
Finance costs		(391)	(509)	(747)
Finance income		109	63	255
<b>Profit / (loss) before taxation</b>		<b>456</b>	(493)	3,079
Taxation	5	(128)	1,111	(923)
<b>Profit for the financial period from continuing operations (see below)</b>		<b>328</b>	618	2,156
Profit attributable to - Equity shareholders		198	659	1,858
Profit / (loss) attributable to - Minority interests		130	(41)	298
		<b>328</b>	618	2,156
Basic earnings per share	6	<b>0.6p</b>	2.3p	6.3p
Diluted earnings per share	6	<b>0.6p</b>	2.3p	6.2p
Dividend paid per share	7	<b>0.0p</b>	1.3p	3.8p
Dividend proposed per share	7	<b>0.9p</b>	0.9p	1.3p

# Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2009

<b>Profit for the period (see above)</b>	<b>328</b>	618	2,156
<b>Other comprehensive income / (expense):</b>			
Currency translation adjustments	1,109	(944)	1,459
Deferred taxation charge	356	20	-
Share based payments (credit) / charge	-	(344)	140
Adjustment in respect of Share Incentive Plan	(7)	151	(182)
Profit / (loss) on disposal of own shares	7	(154)	(58)
<b>Other comprehensive income / (expense) for the period (net of tax):</b>	<b>1,465</b>	(1,271)	1,359
<b>Total comprehensive income / (expense) for the period</b>	<b>1,793</b>	(653)	3,515
Total comprehensive income attributable to – Equity shareholders	1,283	(630)	3,120
Total comprehensive income / (expense) attributable to – Minority interests	510	(23)	395

# Consolidated Balance Sheet

as at 31 December 2009

		Unaudited 31 December 2009	Audited 30 June 2009	Unaudited 31 December 2008
	<i>notes</i>	£'000	£'000	£'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		17,805	17,290	17,187
Other intangible assets	8	2,065	2,458	2,827
Property, plant and equipment	8	11,754	13,901	14,886
Loan and receivables		10	10	10
Deferred taxation asset		314	390	363
		<b>31,948</b>	<b>34,049</b>	<b>35,273</b>
<b>Current assets</b>				
Trade and other receivables	9	45,216	50,987	73,813
Cash and cash equivalents		5,619	6,158	5,516
		<b>50,835</b>	<b>57,145</b>	<b>79,329</b>
<b>Total assets</b>		<b>82,783</b>	<b>91,194</b>	<b>114,602</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		(25,950)	(31,307)	(50,015)
Financial liabilities - borrowings	10	(2,791)	(4,598)	(4,609)
Current taxation liability		(162)	(326)	(564)
		<b>(28,903)</b>	<b>(36,231)</b>	<b>(55,188)</b>
<b>Non-current liabilities</b>				
Financial liabilities - borrowings	10	(10,547)	(11,753)	(13,341)
Provisions	11	(3,014)	(3,801)	(4,923)
Deferred taxation liability		(145)	(781)	(1,994)
		<b>(13,706)</b>	<b>(16,335)</b>	<b>(20,258)</b>
<b>Total liabilities</b>		<b>(42,609)</b>	<b>(52,566)</b>	<b>(75,446)</b>
<b>Net assets</b>		<b>40,174</b>	<b>38,628</b>	<b>39,156</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	12	3,076	3,076	2,952
Share premium reserve		11,880	11,880	11,857
Merger reserve	13	3,144	3,144	2,789
Revaluation reserve		576	1,491	1,491
Profit and loss reserve		19,506	17,308	18,263
<b>Total shareholders' equity</b>		<b>38,182</b>	<b>36,899</b>	<b>37,352</b>
Minority interest		1,992	1,729	1,804
<b>Total equity</b>		<b>40,174</b>	<b>38,628</b>	<b>39,156</b>

# Consolidated Cash Flow Statement

for the six months ended 31 December 2009

	<b>Unaudited</b> <b>Six months to</b> <b>31 December 2009</b>	Unaudited Six months to 30 June 2009	Unaudited Six months to 31 December 2008
<i>notes</i>	<b>£'000</b>	£'000	£'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	14a 1,715	2,929	3,613
Finance costs paid	(341)	(373)	(630)
Finance income received	109	63	255
Taxation paid	(436)	(323)	(1,191)
<b>Net cash from operating activities</b>	<b>1,047</b>	<b>2,296</b>	<b>2,047</b>
<b>Cash flows from investing activities</b>			
Deferred consideration paid	(316)	(419)	(831)
Purchase of other intangible assets	(19)	(96)	(258)
Purchase of property, plant and equipment (PPE)	(24)	(67)	(750)
Proceeds from sale of PPE and other intangible assets	1,573	27	5
<b>Net cash from / (used in) investing activities</b>	<b>1,214</b>	<b>(555)</b>	<b>(1,834)</b>
<b>Cash flows from financing activities</b>			
Share issues	-	-	32
Repayment of borrowing	(617)	(620)	(382)
Repayments on finance leases	(29)	(4)	(20)
Equity dividends paid-to equity shareholders	-	(325)	(1,107)
-to minority interests	(247)	(52)	(249)
Purchase of shares by Waterman Trustees Limited	-	(10)	(349)
<b>Net cash used in financing activities</b>	<b>(893)</b>	<b>(1,011)</b>	<b>(2,075)</b>
<b>Net increase / (decrease) in cash, cash equivalents and overdrafts</b>	<b>1,368</b>	<b>730</b>	<b>(1,862)</b>
<b>Effect of exchange rate changes</b>	<b>291</b>	<b>48</b>	<b>450</b>
<b>Net increase / (decrease) in cash, cash equivalents and overdrafts</b>	14b <b>1,659</b>	<b>778</b>	<b>(1,412)</b>

# Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

as at 31 December 2009

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss reserve £'000	Total shareholders equity £'000	Minority Interest £'000	Total equity £'000
<b>Balance at 1 July 2008</b>	<b>2,910</b>	<b>11,832</b>	<b>2,358</b>	<b>1,491</b>	<b>16,250</b>	<b>34,841</b>	<b>1,658</b>	<b>36,499</b>
Currency translation adjustments	-	-	-	-	1,362	1,362	97	1,459
Share based payments charge	-	-	-	-	140	140	-	140
Adjustment in respect of Share Incentive Plan	-	-	-	-	(182)	(182)	-	(182)
Loss on disposal of own shares	-	-	-	-	(58)	(58)	-	(58)
Net income recognised directly in equity	-	-	-	-	1,262	1,262	97	1,359
New ordinary shares issued	42	25	431	-	-	498	-	498
Profit for the financial period	-	-	-	-	1,858	1,858	298	2,156
Dividend	-	-	-	-	(1,107)	(1,107)	(249)	(1,356)
<b>Balance at 31 December 2008</b>	<b>2,952</b>	<b>11,857</b>	<b>2,789</b>	<b>1,491</b>	<b>18,263</b>	<b>37,352</b>	<b>1,804</b>	<b>39,156</b>
Currency translation adjustments	-	-	-	-	(962)	(962)	18	(944)
Deferred tax charge for the period	-	-	-	-	20	20	-	20
Share based payments credit	-	-	-	-	(344)	(344)	-	(344)
Adjustment in respect of Share Incentive Plan	-	-	-	-	151	151	-	151
Loss on disposal of own shares	-	-	-	-	(154)	(154)	-	(154)
Net (expense) / income recognised directly in equity	-	-	-	-	(1,289)	(1,289)	18	(1,271)
New ordinary shares issued	124	23	355	-	-	502	-	502
Profit / (loss) for the financial period	-	-	-	-	659	659	(41)	618
Dividend	-	-	-	-	(325)	(325)	(52)	(377)
<b>Balance at 30 June 2009</b>	<b>3,076</b>	<b>11,880</b>	<b>3,144</b>	<b>1,491</b>	<b>17,308</b>	<b>36,899</b>	<b>1,729</b>	<b>38,628</b>
Currency translation adjustments	-	-	-	-	729	729	380	1,109
Reserves transfer on disposal of Land and Freehold property	-	-	-	(1,271)	1,271	-	-	-
Deferred tax charge for the period	-	-	-	356	-	356	-	356
Adjustment in respect of Share Incentive Plan	-	-	-	-	(7)	(7)	-	(7)
Profit on disposal of own shares	-	-	-	-	7	7	-	7
Net income recognised directly in equity	-	-	-	(915)	2,000	1,085	380	1,465
Profit for the financial period	-	-	-	-	198	198	130	328
Dividend	-	-	-	-	-	-	(247)	(247)
<b>Balance at 31 December 2009</b>	<b>3,076</b>	<b>11,880</b>	<b>3,144</b>	<b>576</b>	<b>19,506</b>	<b>38,182</b>	<b>1,992</b>	<b>40,174</b>

# Notes to Financial Information

for the six months ended 31 December 2009

## 1. General information

The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Pickfords Wharf, Clink Street, London SE1 9DG. The company has its listing on the London Stock Exchange.

This condensed consolidated half-yearly financial information was approved for issue on 22 February 2010.

These interim financial results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2009 were approved by the Board of Directors on 22 October 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

## 2. Basis of preparation

This condensed unaudited consolidated financial information for the half year ended 31 December 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU). The half year condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2009, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU with the exception of the following standards which have been adopted in this half year report:

- IAS 1 (Revised) "Presentation of financial statements"
- IAS 27 (Revised) "Consolidated and separate financial statements"
- IFRS 3 (Revised) "Business Combinations"
- IFRS 8 "Operating Segments".

The condensed unaudited consolidated half yearly financial statements have been prepared in accordance with IFRS as adopted by the EU, and those parts of the Companies Act 2006 related to reporting under IFRS that the directors expect to be applicable as at 30 June 2009. IFRS are subject to amendment or interpretation by the International Accounting Standards Board and there is an ongoing process of review and endorsement by the EU. For these reasons, it is possible that the information presented in this report may be subject to change.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

## 3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2009, as described in those annual financial statements.

#### 4. Segmental information

Six months ended	Building	Civil and	Environmental		International	
31 December 2009	services	transportation	consultancy	Structures	multi-disciplinary	Total
Consolidated Income Statement	£'000	£'000	£'000	£'000	£'000	£'000
Revenue - total	4,130	16,911	3,503	6,139	15,510	46,193
Revenue - internal	(51)	(1,296)	(303)	(833)	(787)	(3,270)
<b>Revenue</b>	<b>4,079</b>	<b>15,615</b>	<b>3,200</b>	<b>5,306</b>	<b>14,723</b>	<b>42,923</b>
<b>EBITDA</b>	<b>193</b>	<b>696</b>	<b>(302)</b>	<b>556</b>	<b>836</b>	<b>1,979</b>
Depreciation	(51)	(218)	(57)	(56)	(412)	(794)
Amortisation	(42)	(245)	(20)	(12)	(128)	(447)
<b>Operating profit / (loss)</b>	<b>100</b>	<b>233</b>	<b>(379)</b>	<b>488</b>	<b>296</b>	<b>738</b>
Net finance costs						(282)
<b>Profit before taxation</b>						<b>456</b>
Taxation						(128)
Profit attributable to minority interests						(130)
<b>Profit attributable to equity shareholders</b>						<b>198</b>

Six months ended	Building	Civil and	Environmental		International	
30 June 2009	services	transportation	consultancy	Structures	multi-disciplinary	Total
Consolidated Income Statement	£'000	£'000	£'000	£'000	£'000	£'000
Revenue - total	4,725	18,177	4,996	12,705	19,575	60,178
Revenue - internal	(120)	(1,080)	(1,887)	(2,449)	(3,381)	(8,917)
<b>Revenue</b>	<b>4,605</b>	<b>17,097</b>	<b>3,109</b>	<b>10,256</b>	<b>16,194</b>	<b>51,261</b>
<b>EBITDA</b>	<b>146</b>	<b>931</b>	<b>(1,290)</b>	<b>2,043</b>	<b>(540)</b>	<b>1,290</b>
Depreciation	(52)	(174)	(67)	(85)	(483)	(861)
Amortisation	(39)	(281)	(20)	(15)	(121)	(476)
<b>Operating profit / (loss)</b>	<b>55</b>	<b>476</b>	<b>(1,377)</b>	<b>1,943</b>	<b>(1,144)</b>	<b>(47)</b>
Net finance costs						(446)
<b>Profit before taxation</b>						<b>(493)</b>
Taxation						1,111
Profit attributable to minority interests						41
<b>Profit attributable to equity shareholders</b>						<b>659</b>

Six months ended	Building	Civil and	Environmental		International	
31 December 2008	services	transportation	consultancy	Structures	multi-disciplinary	Total
Consolidated Income Statement	£'000	£'000	£'000	£'000	£'000	£'000
Revenue - total	7,141	23,665	7,721	12,155	38,003	88,685
Revenue - internal	(410)	(752)	(850)	(1,261)	(14,272)	(17,545)
<b>Revenue</b>	<b>6,731</b>	<b>22,913</b>	<b>6,871</b>	<b>10,894</b>	<b>23,731</b>	<b>71,140</b>
<b>EBITDA</b>	<b>321</b>	<b>2,022</b>	<b>(219)</b>	<b>955</b>	<b>1,913</b>	<b>4,992</b>
Depreciation	(64)	(295)	(63)	(97)	(455)	(974)
Amortisation	(45)	(226)	(22)	(25)	(129)	(447)
<b>Operating profit / (loss)</b>	<b>212</b>	<b>1,501</b>	<b>(304)</b>	<b>833</b>	<b>1,329</b>	<b>3,571</b>
Net finance costs						(492)
<b>Profit before taxation</b>						<b>3,079</b>
Taxation						(923)
Profit attributable to minority interests						(298)
<b>Profit attributable to equity shareholders</b>						<b>1,858</b>

## 5. Taxation

Taxation for the six months ended 31 December 2009 has been calculated at 28% (31 December 2008: 30% and 30 June 2009: 225%) of the profit before taxation being the estimated effective rate for the year. The effective rate for the period has reduced due to the change in the mix of the profits between the different Group companies and jurisdictions in which they operate. The effective rate at 30 June 2009 reflects the one off write back of deferred tax on unremitted overseas earnings of £1.2m.

## 6. Earnings per share

The basic earnings per share has been calculated on the profit attributable to shareholders and based on the weighted average of 30,482,324 shares in issue during the period and ranking for dividend (31 December 2008: 29,475,159 and 30 June 2009: 29,402,826).

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 30,482,324 shares during the period (31 December 2008: 29,982,886 and 30 June 2009: 29,846,686).

## 7. Dividends

The directors propose an interim dividend of 0.9p per share (December 2008: 1.3p per share and 30 June 2009: 0.9p). The shares become ex-dividend on 3 March 2010 and the dividend will be paid on 31 March 2010 to those shareholders on the register at the close of business on 5 March 2010.

The final dividend for the year ended 30 June 2009 was paid on 12 January 2010 to all members on the shareholders register at 11 December 2009.

	Unaudited Six months to 31 December 2009 £'000	Unaudited Six months to 30 June 2009 £'000	Unaudited Six months to 31 December 2008 £'000
Dividends charged to shareholders' equity in the period	-	325	1,107
Dividend per ordinary share paid in period	<b>0.0p</b>	1.3p	3.8p

## 8. Capital expenditure

	PPE and Other intangible assets £'000
<b>Six months ended 31 December 2009</b>	
Opening net book amount at 1 July 2009	16,359
Additions	43
Disposals	(1,491)
Exchange rate adjustments	149
Depreciation and amortisation	(1,241)
<b>Closing net book amount at 31 December 2009</b>	<b>13,819</b>
<b>Six months ended 31 December 2008</b>	
Opening net book amount at 1 July 2008	17,808
Additions	1,008
Disposals	-
Exchange rate adjustments	318
Depreciation and amortisation	(1,421)
Closing net book amount at 31 December 2008	17,713

## 9. Trade and other receivables

As of 31 December 2009, trade receivables, net of provisions were £27.3m (30 June 2009: £31.9m) of which £20.1m (30 June 2009: £20.8m) were more than 30 days old but not impaired. These relate to a number of independent UK and overseas customers for whom there is no recent history of default.

## 10. Financial liabilities-borrowings

	31 December 2009	30 June 2009	31 December 2008
	£'000	£'000	£'000
<b>Current</b>			
Bank loans	1,349	1,141	1,060
Bank overdrafts	-	2,198	2,334
Finance leases	31	52	51
Deferred consideration	1,411	1,207	1,164
	<b>2,791</b>	<b>4,598</b>	<b>4,609</b>
<b>Non-current</b>			
Bank loans	10,441	11,249	11,983
Finance leases	106	100	120
Deferred consideration	-	404	1,238
	<b>10,547</b>	<b>11,753</b>	<b>13,341</b>
<b>Total</b>	<b>13,338</b>	<b>16,351</b>	<b>17,950</b>

Movements in financial liabilities-borrowings are analysed as follows:

	£'000
<b>Six months ended 31 December 2009</b>	
Opening amount as at 1 July 2009	16,351
Decrease in bank overdrafts	(2,198)
Repayment of borrowing	(646)
Settlement of part of deferred consideration on AHW (Victoria) Pty Ltd	(316)
Unwinding of discount on deferred consideration	76
Exchange rate adjustments	71
<b>Closing amount as at 31 December 2009</b>	<b>13,338</b>
<b>Six months ended 31 December 2008</b>	
Opening amount as at 1 July 2008	18,426
Increase in bank overdrafts	999
Repayment of borrowing	(402)
Settlement of deferred consideration arising on acquisition of Furness Green Ltd	(15)
Settlement of part of deferred consideration on Waterman Boreham Ltd and AHW (Victoria) Pty Ltd	(1,283)
Unwinding of discount on deferred consideration	103
Exchange rate adjustments	122
<b>Closing amount as at 31 December 2008</b>	<b>17,950</b>

## 11. Provisions

### Liability insurance provision £'000

#### Six months ended 31 December 2009

Opening amount as at 1 July 2009	3,801
Charged to the consolidated income statement	
Utilised	943
Released	(64)
Discount	(1,653)
	(13)
<b>Closing amount as at 31 December 2009</b>	<b>3,014</b>

#### Six months ended 31 December 2008

Opening amount as at 1 July 2008	4,340
Charged to the consolidated income statement	880
Utilised	(296)
Released	(91)
Unwinding of discount	90
<b>Closing amount as at 31 December 2008</b>	<b>4,923</b>

## 12. Share capital

The share capital of the company comprises ordinary shares of 10p each. No new shares were issued during the period. In 2008 shares were issued during the comparative period at an issue price ranging from 44.5p to 134.1p and a weighted average share price of 120.7p.

	Authorised		Issued and Fully Paid	
	No '000	£'000	No '000	£'000
<b>Six months ended 31 December 2009</b>				
At 1 July 2009 and at 31 December 2009	41,000	4,100	30,756	3,076

	Authorised		Issued and Fully Paid	
	No '000	£'000	No '000	£'000
<b>Six months ended 31 December 2008</b>				
At 1 July 2008	41,000	4,100	29,104	2,910
Issued during the year in respect of share option schemes	-	-	65	7
Issued as part of the deferred consideration for the acquisition of Waterman Boreham Ltd	-	-	348	35
<b>At 31 December 2008</b>	<b>41,000</b>	<b>4,100</b>	<b>29,517</b>	<b>2,952</b>

### 13. Merger reserve

The merger reserve represents the value received in excess of nominal value for shares issued pursuant to business combinations where company law prohibits the recording of a premium. Included within the profit and loss reserve balance brought forward is an amount of £1,133,000 (2008: £1,133,000) relating to the write off of purchased goodwill prior to the introduction of FRS 10.

### 14. Notes to the Consolidated Cash Flow Statement

#### a) Reconciliation of profit for the financial period to cash generated from operations

	Unaudited Six months to 31 December 2009 £'000	Unaudited Six months to 30 June 2009 £'000	Unaudited Six months to 31 December 2008 £'000
<b>Profit for the financial period</b>	<b>328</b>	618	2,156
Taxation	<b>128</b>	(1,111)	923
Finance costs payable	<b>391</b>	509	747
Finance income receivable	<b>(109)</b>	(63)	(255)
Amortisation of other intangible assets	<b>447</b>	476	447
Depreciation	<b>794</b>	861	974
Profit on disposal of PPE and other intangible assets	<b>(97)</b>	(2)	(5)
Shares granted under the Conditional Share Bonus Award	-	116	-
Share based payments (credit) / charge	-	(344)	140
Changes in working capital			
Decrease / (increase) in Trade and other receivables	<b>7,058</b>	19,636	(9,402)
(Decrease) / increase in Trade and other payables	<b>(6,438)</b>	(16,635)	7,319
(Decrease) / increase in Provisions	<b>(787)</b>	(1,132)	569
<b>Cash generated from operations</b>	<b>1,715</b>	2,929	3,613

#### b) Analysis of net debt

	31 December 2008 £'000	30 June 2009 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	<b>31 December 2009 £'000</b>
Cash balances	5,516	6,158	(830)	-	291	<b>5,619</b>
Bank overdrafts	(2,334)	(2,198)	2,198	-	-	-
<b>Cash and cash equivalents</b>	<b>3,182</b>	<b>3,960</b>	<b>1,368</b>	-	291	<b>5,619</b>
<b>Current</b>						
Bank loans	(1,060)	(1,141)	617	(808)	(17)	<b>(1,349)</b>
Finance leases	(51)	(52)	29	(2)	(6)	<b>(31)</b>
Deferred consideration	(1,164)	(1,207)	316	(472)	(48)	<b>(1,411)</b>
<b>Non-current</b>						
Bank loans	(11,983)	(11,249)	-	808	-	<b>(10,441)</b>
Finance leases	(120)	(100)	-	(6)	-	<b>(106)</b>
Deferred consideration	(1,238)	(404)	-	404	-	-
	(15,616)	(14,153)	962	(76)	(71)	<b>(13,338)</b>
<b>Net debt</b>	<b>12,434</b>	<b>(10,193)</b>	<b>2,330</b>	<b>(76)</b>	<b>220</b>	<b>(7,719)</b>

## 15. Related party transactions

There have been no significant changes apart from the disclosures below in the related party transactions described in the Waterman Group plc financial statements for the year ended 30 June 2009 that could have a material effect on the financial position or performance of Waterman Group plc in the six month period ended 31 December 2009.

On 3 November 2009, Waterman International Limited purchased 100% of the issued share capital of Waterman Emirates Pty Limited from its fellow subsidiary undertaking, Waterman International (Asia) Pty Limited, for the nominal sum of US\$100. From this date Waterman Group plc became the owner of 100% (prior to 3 November 2009: 80%) of the issued share capital of Waterman Emirates Pty Limited. The impact of this transaction on the total shareholders' equity is not significant.

## 16. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Management Report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial statements and notes.

The Group has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim Report and financial statements.

## 17. Principal risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group remain broadly the same as at 30 June 2009. These risks and uncertainties are expected to be unchanged for the next six months and are disclosed within the Financial Review of the Waterman Group plc Annual Report and Financial Statement 2009.

## 18. Further information

Copies of the Interim Report have been sent to shareholders. Additional copies are available from the company's registered office at Pickfords Wharf, Clink Street, London SE1 9DG. In addition, electronic copies of the Interim Report and the 30 June 2009 financial statements can be viewed on the Group's website [www.watermangroup.com](http://www.watermangroup.com).

The directors are responsible for the maintenance and integrity of the Group's website on the internet. However, information is accessible in many different countries where legislation governing the preparation and dissemination of financial information may differ to that applicable to the United Kingdom.

# Statement of Directors' Responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Waterman Group plc are listed in the Waterman Group plc Annual Report and Financial Statement 2009. On 19 February 2010, Miss Alex Steele was appointed as a director of the Company. There have been no other changes of directors since the Annual Report. A list of current directors is maintained on the Waterman Group website [www.watermangroup.com](http://www.watermangroup.com).

By order of the Board  
Graham R Hiscocks  
Company Secretary  
22 February 2010



Pickfords Wharf, Clink Street, London SE1 9DG

**t** +44 (0)20 7928 7888 **f** +44 (0)20 7928 3033

[www.watermangroup.com](http://www.watermangroup.com)

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