



Waterman Group plc
Engineering & Environmental Consultants

| Interim Report December 2007

Vision Statement

“To be international consultant of choice”.

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

	Adjusted*			Year
	Interim 2007	Interim 2007	Interim 2006	2007
	£'000	£'000	£'000	£'000
Revenue	63,633	63,633	47,702	103,903
EBITDA	5,102	5,102	3,173	7,275
Profit before taxation	3,509	3,325	2,266	5,094
Basic earnings per share	8.2p	7.8p	4.9p	11.7p
Interim dividend	2.5p	2.5p	2.2p	3.6p

INTERIM HEADLINES

Revenue increased by **33%** to **£63.6m**

Profit before tax increased by **47%** to **£3.3m**

Adjusted profit before tax increased by **55%** to **£3.5m***

Basic earnings per share increased by **59%** to **7.8p**

Adjusted basic earnings per share (EPS) increased by 67% to **8.2p***

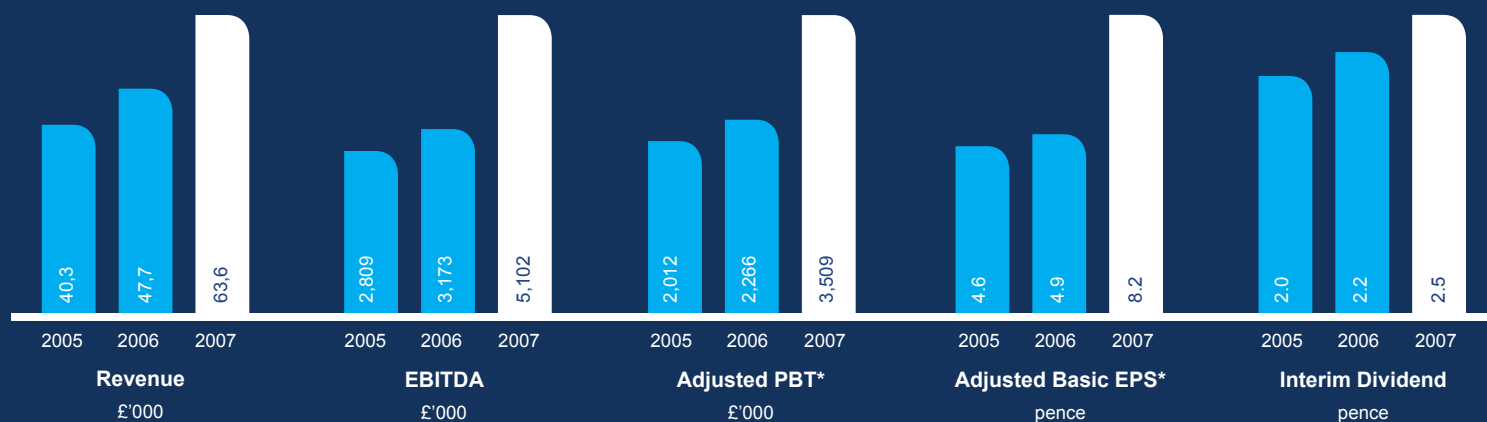
International revenue increased by **38%**

Interim dividend up to **2.5p** (2006: 2.2p)

Net Asset Value per share up to **117p per share** (2006: 106p)

Staff increased to **1,980** (June 2007: 1,785)

Long term order book at record levels



* before amortisation of goodwill and other acquired intangible assets

Interim Management Report

I am pleased to report that in the six months to December 2007, Waterman Group has achieved an increased adjusted pre tax profit of £3.51m (2006: £2.27m) and pre tax profit of £3.33m (2006: £2.27m) on revenue of £63.6m (2006: £47.7m). Adjusted basic earnings per share has increased to 8.2p (2006: 4.9p) and basic earnings per share to 7.8p (2006: 4.9p). The Board has decided to increase the interim dividend to 2.5p per share (2006: 2.2p) payable on 21 April 2008 to shareholders on the register on 7 March 2008.

Group Activities - UK

During the first six months of the financial year, Waterman has achieved continued expansion through organic growth and acquisitions of complementary businesses. Good progress has been made on a number of the UK's largest urban regeneration projects including Liverpool One in Liverpool, Cabot in Bristol, Westfield London in White City and Highcross in Leicester. Detailed design work has also commenced recently on 350,000m² of mixed use development on Summer Row in Wolverhampton, Northern Quarter in Portsmouth and Eastgate in Leeds. The company has also increased the long term order book for urban regeneration projects to over £4bn of development and was recently part of the team selected by the City and County of Swansea and the Welsh Assembly Government for the £1bn mixed use urban regeneration project in Swansea.

The Government's Building Schools for the Future programme has resulted in many new commissions and Waterman has been appointed for the design of seventeen schools in Lancashire, Bradford, Hackney, Somerset and West Lothian. In addition, Waterman is currently bidding and negotiating for further secondary schools projects with a construction value over £500m.

In London, work has commenced on site on Project Bankside which is a high quality residential development next to the Tate Modern Gallery for Grosvenor Estate and Native Land. Waterman has recently been appointed on three developments with the Crown Estate and work is progressing on a major refurbishment project in Parliament Square which will accommodate the UK Supreme Court. Scheme design has commenced on a significant 1.3 acre mixed use development at Hanover Square for Great Portland Estates which incorporates the Bond Street Crossrail station.

Our civil engineering, transportation and infrastructure business has continued to expand and together with the acquisition of Boreham in April 2007 now represents over 45% of the UK turnover. Our framework agreements with Highways Agency, Tube Lines and British Airways have resulted in a steady flow of work in the preparation of road maintenance contracts, rail station improvements and extensions at Heathrow. In addition, a new framework agreement has been signed with Angus Council in Scotland for engineering design. Major infrastructure projects at Parkside Colliery in North West England, Bilston Urban Village and Brierly Hill in the Midlands are progressing through the detailed design phase and new infrastructure commissions have been received for projects in Newport and Glasgow.

At Kings Cross an enabling works package for Argent and Network Rail has reached tender stage. The Civils group has recently been appointed to provide pre-planning and infrastructure consultancy services for an eco-town in the South of England and a major rail freight logistics development in the Midlands. Both projects are expected to progress in the second half of the financial year.

Our environmental and sustainability business has grown organically by 24% with increased work in sustainability and corporate environmental advisory services. The environmental due diligence team was voted Specialist Due Diligence adviser of the year in 2007 at both the Unquote Private Equity Awards and the Mergers and Acquisitions Awards. Landscape design, ecological and archaeological investigations have progressed at two large greenfield sites of over 600 acres of mixed use development in Northampton and Newark. Waterman is also advising in the production of an Environmental Statement for a wind farm in the South West for Ecotricity. We have also received further commissions to continue with our expert witness services for the South Downs National Park Inquiry.

Group Activities – Overseas

The Group's revenue from overseas operations has grown by 38% compared to the first six months of financial year 2006/07 and provided over 25% of the Group's total revenue.

Established Waterman offices in Russia, Poland, Ireland, the Emirates and Australia have continued to gain new commissions. Waterman has been appointed on Park City in Moscow which is a 600,000m² mixed use development in the centre of Moscow. In Russia, Waterman is currently engaged on projects of over 2.3 million m² of development. Significant new retail projects have been awarded in Poland, Romania and Hungary and in response to this demand a larger office has been established in Poland.

Our Emirates offices in Dubai and Abu Dhabi have continued to grow during the last six months. During this period we have received new appointments for eleven residential and commercial towers within the Dubai Waterfront development. We have progressed with detailed design on Al Muneera, part of Al Raha Beach, one of the longest developments in the world and also two new hotels on Yas Island for Aldar. The first 6 star green star sustainable commercial development in Sydney

has commenced on site at Darling Harbour and our Australian offices in Melbourne, Brisbane and Sydney have been busy on new residential, commercial, research, medical and teaching facilities for a range of clients.

In Kazakhstan, our recently opened office has received appointments as lead designers on a 164 metre tall commercial tower of 61,000m² and a trade centre of 85,000m², both located in Astana. Our landscape design teams have achieved significant success in Tianjin in China where we have been appointed as overall masterplanner for a 32.5km² high-tech city and detailed urban and landscape designer for the first phase of the development. In addition, we have also been appointed as landscape designers for a 2km long riverside area known as Trumpet Island in the centre of Binhai New City, Tianjin.

The Group's Irish consultancy, Moylan has continued to expand. Major projects in progress include the Lambertton Hotel, a 280 room five star leisure complex in South Dublin, six new primary and secondary schools in Kildare and Dublin, Airport City office complex next to Dublin Airport, Clongriffin Railway Station and a major public housing development at Enniskerry in South Dublin.

I am pleased to draw shareholders' attention to the size and quality of our overseas projects. Waterman now employs 516 staff overseas out of a total headcount of 1,980, which has grown from 1,785 in June 2007.

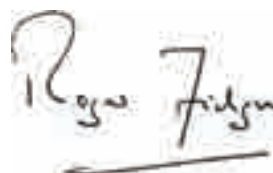
Acquisitions

On 01 September 2007 Waterman Building Services Ltd acquired a 100% interest of Furness Green Ltd, a mechanical and electrical specialist consulting engineer based in Nottingham, Leeds and London. Furness Green Ltd which is to be fully integrated into Waterman Building Services Ltd in this financial year has specialist expertise in the design of theatres and performing arts projects and provides a greater regional presence and diversity to Waterman's building services business. In addition, Boreham Consulting Engineers, acquired in April 2007, is now fully integrated within the Group and performed strongly for the period. Acquisitions of complementary, earnings enhancing businesses in the UK and overseas remain an important part of our growth strategy.

Future Prospects

Waterman Group has achieved an increase in revenue of 33% during the first six months of the financial year and with a substantial and growing order book diversified by sector and geography, the Group is well placed for the future. The Group's presence in the world's fast growing markets is now well established and the further development of Waterman as an international group will remain a high priority. Our new vision to be "International consultant of choice" is an important statement of intent to our employees and clients.

Despite the continuing uncertainty regarding the world economy, all the sectors in which we operate are currently performing well. Your Board remains confident that the Group will continue to perform in line with their expectations.



Roger Fidgen
Chairman
25 February 2008

Independent Review Report to Waterman Group plc

for the six months ended 31 December 2007

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 2007, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes. 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

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 2007 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
London
25 February 2008

Consolidated Income Statement

for the six months ended 31 December 2007

	Notes	Unaudited Six months to 31 December 2007 £'000	Unaudited Six months to 31 December 2006 £'000	Audited Twelve months to 30 June 2007 £'000
Revenue - Continuing operations	4	63,633	47,702	103,903
Employee benefits expense		(34,447)	(24,768)	(52,740)
Other operating charges		(24,084)	(19,761)	(43,888)
Operating expenses		(58,531)	(44,529)	(96,628)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		5,102	3,173	7,275
Depreciation of property, plant and equipment		(819)	(587)	(1,301)
Amortisation of other intangible assets		(333)	(108)	(357)
Operating profit	4	3,950	2,478	5,617
Interest payable		(839)	(293)	(723)
Interest receivable		214	81	200
Profit before taxation		3,325	2,266	5,094
Taxation	5	(974)	(749)	(1,337)
Profit for the financial period from continuing operations		2,351	1,517	3,757
Profit attributable to - Equity shareholders		2,250	1,412	3,347
- Minority interests		101	105	410
		2,351	1,517	3,757
Basic earnings per share	6	7.8p	4.9p	11.7p
Diluted earnings per share	6	7.6p	4.8p	11.4p
Dividend paid per share	7	3.6p	3.4p	5.6p
Dividend payable per share	7	2.5p	2.2p	3.6p

Consolidated Balance Sheet

as at 31 December 2007

	Notes	Unaudited Six months to 31 December 2007 £'000	Unaudited Six months to 31 December 2006 £'000	Audited Twelve months to 30 June 2007 £'000
Assets				
Non-current assets				
Goodwill		16,942	13,328	15,439
Other intangible assets	8	2,366	288	2,544
Property, plant and equipment	8	14,500	13,543	13,938
Loan and receivables		10	10	10
Deferred taxation asset		411	-	389
		34,229	27,169	32,320
Current assets				
Trade and other receivables		56,048	41,329	50,887
Cash and cash equivalents		8,385	4,898	6,221
		64,433	46,227	57,108
Total assets		98,662	73,396	89,428
Liabilities				
Current liabilities				
Trade and other payables		39,193	28,896	35,120
Financial liabilities - borrowings	9	3,528	2,472	3,878
Current tax liability		1,068	895	515
		43,789	32,263	39,513
Non-current liabilities				
Financial liabilities - borrowings	9	14,958	7,274	12,893
Provisions	10	3,549	2,329	2,915
Deferred tax liability		1,766	1,042	1,759
		20,273	10,645	17,567
Total liabilities		64,062	42,908	57,080
Net assets		34,600	30,488	32,348
Shareholders' equity				
Share capital	11	2,906	2,868	2,879
Share premium reserve		11,816	11,725	11,764
Merger reserve		2,358	2,146	2,170
Revaluation reserve		1,491	1,450	1,491
Profit and loss reserve		14,837	11,670	13,180
Total shareholders' equity		33,408	29,859	31,484
Minority interest		1,192	629	864
Total equity		34,600	30,488	32,348

Consolidated Cash Flow Statement

for the six months ended 31 December 2007

	Notes	Unaudited Six months to 31 December 2007 £'000	Unaudited Six months to 31 December 2006 £'000	Audited Twelve months to 30 June 2007 £'000
Cash flows from operating activities				
Cash generated from operations	12a	5,747	1,989	7,211
Interest paid		(378)	(206)	(694)
Interest received		214	81	200
Tax paid		(521)	(438)	(1,602)
Net cash from operating activities		5,062	1,426	5,115
Cash flows from investing activities				
Acquisition of subsidiary undertakings net of cash acquired		(1,302)	(1,092)	(5,208)
Part disposal of subsidiary undertaking		-	13	13
Deferred consideration paid		(1,511)	(50)	(50)
Purchase of other intangible fixed assets		(145)	(35)	(349)
Purchase of property, plant and equipment (PPE)		(1,286)	(466)	(1,243)
Proceeds from sale of PPE and other intangible assets		4	10	23
Net cash used in investing activities		(4,240)	(1,620)	(6,814)
Cash flows from financing activities				
Share issues		67	52	101
Net proceeds from issue of new bank loans		2,000	2,304	7,304
Repayment of borrowing		(501)	(330)	(708)
Repayments on finance leases		(7)	(16)	(48)
Equity dividends paid		(1,296)	(972)	(1,705)
Purchase of shares by Waterman Trustees Limited		(213)	(181)	(263)
Net cash from financing activities		50	857	4,681
Net increase in cash and cash equivalents		872	663	2,982
Effect of exchange rate changes		190	(34)	30
Net increase in cash and cash equivalents	12b	1,062	629	3,012

Consolidated Statement of Changes in Shareholders' Equity

as at 31 December 2007

	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
Balance at 01 July 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	-	-	-	-	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
Part 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
Currency translation adjustments	-	-	-	-	149	149	31	180
Deferred tax charge for the period	-	-	-	41	91	132	-	132
Share based payments charge	-	-	-	-	47	47	-	47
Adjustment in respect of Share Incentive Plan	-	-	-	-	(80)	(80)	-	(80)
Net income recognised directly in equity	-	-	-	41	207	248	31	279
New ordinary shares issued	11	39	24	-	-	74	-	74
Profit for the financial period	-	-	-	-	1,935	1,935	305	2,240
Dividend	-	-	-	-	(632)	(632)	(101)	(733)
Balance at 30 June 2007	2,879	11,764	2,170	1,491	13,180	31,484	864	32,348
Currency translation adjustments	-	-	-	-	505	505	32	537
Share based payments charge	-	-	-	-	121	121	-	121
Adjustment in respect of Share Incentive Plan	-	-	-	-	98	98	-	98
Loss on disposal of own shares	-	-	-	-	(21)	(21)	-	(21)
Minority interest share of intangibles acquired on AHW (Victoria) Pty Ltd acquisition	-	-	-	-	-	-	195	195
Net income recognised directly in equity	-	-	-	-	703	703	227	930
New ordinary shares issued	27	52	188	-	-	267	-	267
Profit for the financial period	-	-	-	-	2,250	2,250	101	2,351
Dividend	-	-	-	-	(1,296)	(1,296)	-	(1,296)
Balance at 31 December 2007	2,906	11,816	2,358	1,491	14,837	33,408	1,192	34,600

Notes to Financial Information

for the six months ended 31 December 2007

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 25 February 2008.

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 June 2007 were approved by the Board of Directors on 26 October 2007 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 237 of the Companies Act 2005.

2. Basis of preparation

This condensed unaudited consolidated financial information for the half year ended 31 December 2007 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 2007, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 1985 related to reporting under IFRS that the directors expect to be applicable as at 30 June 2008. 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 2007, as described in those annual financial statements.

The Group will review the goodwill that has been recognised in the current period in accordance with IFRS 3 'Business Combinations' and separately identify any intangible assets that arise as required by IAS 38 'Intangible Assets'. The Group intends to finalise any fair value adjustments in accordance with IFRS 3 within one year of the relevant acquisition date and any adjustments required will be reported in the annual financial statements.

4. Segmental information

Six months ended 31 December 2007 Consolidated Income Statement	Building services £'000	Civil and transportation £'000	Environmental consultancy £'000	Structures £'000	International multi- disciplinary £'000	Total £'000
Revenue - total	5,984	22,489	8,119	14,266	19,981	70,839
Revenue - internal	(37)	(766)	(781)	(2,014)	(3,608)	(7,206)
Revenue	5,947	21,723	7,338	12,252	16,373	63,633
EBITDA	414	2,143	455	1,192	898	5,102
Depreciation	(65)	(256)	(78)	(112)	(308)	(819)
Amortisation	(9)	(182)	(19)	(30)	(93)	(333)
Operating profit	340	1,705	358	1,050	497	3,950
Net finance costs						(625)
Profit before taxation						3,325
Taxation						(974)
Profit attributable to minority interests						(101)
Profit attributable to equity shareholders						2,250

Six months ended 31 December 2006 Consolidated Income Statement	Building services £'000	Civil and transportation £'000	Environmental consultancy £'000	Structures £'000	International multi- disciplinary £'000	Total £'000
Revenue - total	4,914	14,033	6,440	13,024	13,479	51,890
Revenue - internal	(12)	(489)	(514)	(1,529)	(1,644)	(4,188)
Revenue	4,902	13,544	5,926	11,495	11,835	47,702
EBITDA	336	908	251	1,221	457	3,173
Depreciation	(64)	(118)	(78)	(115)	(212)	(587)
Amortisation	(4)	(39)	(17)	(29)	(19)	(108)
Operating profit	268	751	156	1,077	226	2,478
Net finance costs						(212)
Profit before taxation						2,266
Taxation						(749)
Profit attributable to minority interests						(105)
Profit attributable to equity shareholders						1,412

5. Taxation

Taxation for the six months ended 31 December 2007 has been calculated at 29.3% of the profit before taxation being the estimated effective rate for the year. The 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.

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 28,950,581 shares in issue during the period and ranking for dividend (31 December 2006: 28,601,153 and 30 June 2007: 28,685,569).

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 29,636,167 shares during the period (31 December 2006: 29,215,654 and 30 June 2007: 29,302,516).

7. Dividends

The directors have approved an interim dividend of 2.5p per share (December 2006: 2.2p per share). The shares become ex-dividend on 05 March 2008 and the dividend will be paid on 21 April 2008 to those shareholders on the register at the close of business on 07 March 2008.

	Unaudited Six months to 31 December 2007 £'000	Unaudited Six months to 31 December 2006 £'000	Audited Twelve months to 30 June 2007 £'000
Dividends charged to equity in the period	1,296	972	1,604
Dividend per ordinary share paid in period	3.6p	3.4p	5.6p

8. Capital expenditure

	PPE and Other intangible assets £'000
Six months ended 31 December 2007	
Opening net book amount at 01 July 2007	16,482
Additions	1,431
Disposals	-
Acquisitions through business combinations	34
Exchange rate adjustments	71
Depreciation and amortisation	(1,152)
Closing net book amount at 31 December 2007	16,866
Six months ended 31 December 2006	
Opening net book amount at 01 July 2006	13,871
Additions	499
Disposals	(6)
Acquisitions through business combinations	172
Exchange rate adjustments	(10)
Depreciation and amortisation	(695)
Closing net book amount at 31 December 2006	13,831

9. Financial liabilities-borrowings

	31 December 2007 £'000	31 December 2006 £'000	30 June 2007 £'000
Current			
Bank loans	970	802	1,443
Bank overdrafts	1,526	1,484	424
Finance leases	6	32	12
Deferred consideration	1,026	154	1,999
	3,528	2,472	3,878
Non-current			
Bank loans	12,699	6,722	10,693
Finance leases	1	13	1
Deferred consideration	2,258	539	2,199
	14,958	7,274	12,893
Total	18,486	9,746	16,771

Movements in financial liabilities-borrowings are analysed as follows:

	£'000
Six months ended 31 December 2007	
Opening amount as at 01 July 2007	16,771
Increase in bank overdrafts	1,102
New bank loans	2,000
Net repayment of borrowing	(186)
Deferred consideration arising on acquisition of Furness Green Ltd	310
Settlement of part of deferred consideration on Waterman Boreham Ltd and AHW (Victoria) Pty Ltd	(1,511)
Closing amount as at 31 December 2007	18,486
Six months ended 31 December 2006	
Opening amount as at 01 July 2006	6,178
Increase in bank overdrafts	936
New bank loans	2,304
Net repayment of borrowing	(299)
Finance leases acquired through business combinations	9
Deferred consideration arising on acquisition of AHW (Victoria) Pty Ltd	693
Settlement of deferred consideration on Waterman Envirosystems Ltd	(75)
Closing amount as at 31 December 2006	9,746

10. Provisions

	Liability insurance provision £'000
Six months ended 31 December 2007	
Opening amount as at 01 July 2007	2,915
Charged to the consolidated income statement	3,064
Utilised	(430)
Released	(2,043)
Unwinding of discount	43
Closing amount as at 31 December 2007	3,549
Six months ended 31 December 2006	
Opening amount as at 01 July 2006	2,023
Charged to the consolidated income statement	1,116
Utilised	(107)
Released	(686)
Discount	(17)
Closing amount as at 31 December 2006	2,329

11. Share capital

The share capital of the company comprises ordinary shares of 10p each. Shares were issued during the period at an issue price ranging from 44.5p to 164.5p (2006: 44.5p to 50p) and a weighted average share price of 98.9p (2006: 45.8p).

	Authorised		Issued and fully paid	
	No '000	£'000	No '000	£'000
Six months ended 31 December 2007				
At 01 July 2007	41,000	4,100	28,791	2,879
Issued during the year in respect of share option schemes	-	-	149	15
Issued as part of the deferred consideration for the acquisition of Furness Green Ltd	-	-	121	12
At 31 December 2007	41,000	4,100	29,061	2,906
Six months ended 31 December 2006				
At 01 July 2006	41,000	4,100	28,564	2,856
Issued during the year in respect of share option schemes	-	-	115	12
At 31 December 2006	41,000	4,100	28,679	2,868

12. 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 2007 £'000	Unaudited Six months to 31 December 2006 £'000	Audited Twelve months to 30 June 2007 £'000
Profit for the financial period	2,351	1,517	3,757
Taxation	974	749	1,337
Interest payable	839	293	723
Interest receivable	(214)	(81)	(200)
Amortisation of other intangible assets	333	108	357
Depreciation	819	587	1,301
Profit on disposal of PPE and other intangible assets	(4)	(6)	(19)
Loss on part disposal of subsidiary undertaking	-	13	-
Shares granted under the Share Incentive Plan	290	188	198
Other non cash charges	121	24	71
Changes in working capital			
Increase in Trade and other receivables	(3,123)	(4,875)	(9,206)
Increase in Trade and other payables	2,883	3,187	8,035
Increase in provisions	478	285	857
Cash generated from operations	5,747	1,989	7,211

b) Analysis of net debt

	31 December 2006 £'000	30 June 2007 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	31 December 2007 £'000
Cash balances	4,898	6,221	1,974	-	190	8,385
Bank overdrafts	(1,484)	(424)	(1,102)	-	-	(1,526)
Cash and cash equivalents	3,414	5,797	872	-	190	6,859
Current						
Bank loans	(239)	(1,443)	501	6	(34)	(970)
Finance leases	(32)	(12)	7	-	(1)	(6)
Deferred consideration	(717)	(1,999)	1,511	(518)	(20)	(1,026)
Non-current						
Bank loans	(7,261)	(10,693)	(2,000)	(6)	-	(12,699)
Finance leases	(13)	(1)	-	-	-	(1)
Deferred consideration	-	(2,199)	-	(59)	-	(2,258)
	(8,262)	(16,347)	19	(577)	(55)	(16,960)
Net debt	(4,848)	(10,550)	891	(577)	135	(10,101)

13. Acquisitions

a) Furness Green Limited

On 01 September 2007, Waterman Building Services Limited purchased 100% of the issued share capital of Furness Green Limited, a consultancy providing mechanical and electrical design services from offices in London, Leeds and Nottingham. Furness Green has contributed £894,406 to revenue and £79,400 profit attributable to equity shareholders from acquisition until 31 December 2007.

	Book and provisional fair value
	£'000
Assets acquired	
<hr/>	
Non- current assets	
Property, plant and equipment	34
Current assets	
Trade and other receivables	946
Cash and cash equivalents	37
Current liabilities	
Trade and other payables	(413)
Current tax liability	(93)
Non-current liabilities	
Deferred taxation liability	(2)
Net assets acquired	509
Intangibles	830
Consideration	1,339
<hr/>	
Satisfied by:	
Cash	800
Deferred consideration -cash	310
-shares	200
Related costs of acquisition	29
	1,339

If the acquisition had been made at 01 July 2007, Furness Green would have contributed £1,320,930 to revenue and £90,878 profit attributable to equity shareholders. This information should not be viewed as indicative of the results of operations that would have occurred if the acquisitions had been made at the beginning of the financial year or the future results of the combined operations.

The outflow of cash and cash equivalents on the acquisition can be calculated as follows:

	£'000
Cash consideration	829
Cash acquired	(37)
Total outflow of cash and cash equivalents	792

b) RJA Consulting Limited

On 13 November 2007, Waterman Civils Limited purchased the trade and work in progress of RJA Consulting Limited, a civil and structural engineering consultancy based in Glasgow, Scotland for total cash consideration of £475,000. The provisional fair values of the WIP acquired were £151,000 and intangibles were £324,000.

All of the intangible assets in both acquisitions have been classified as goodwill as at 31 December 2007. The fair value adjustments in respect of other intangible assets will be finalised at 30 June 2008.

14. Related party transactions

The directors have identified 19 (2006: 19) key management personnel whose compensation was as follows: -

	2007	2006
	£'000	£'000
Short term benefits	1,416	1,437
Charge in respect of share based payments	59	23
Post employment benefits	94	96
	1,569	1,556

15. 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 2007 financial statements can be viewed on the Group's website www.waterman-group.co.uk.

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 2007. There have been no changes of directors since the Annual Report. A list of current directors is maintained on the Waterman Group website www.waterman-group.co.uk.

By order of the Board

Graham R Hiscocks

Company Secretary

25 February 2008