

global
sustainable
innovative
committed
collaborative
passionate

Waterman Group plc
Interim Report December 2008

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

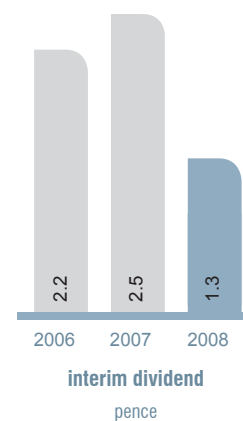
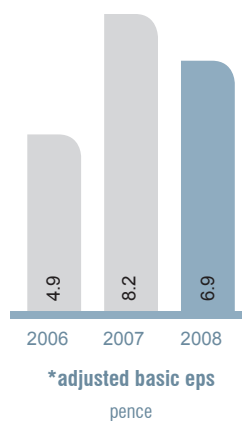
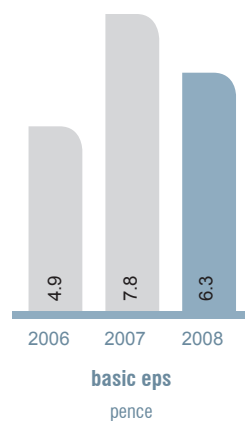
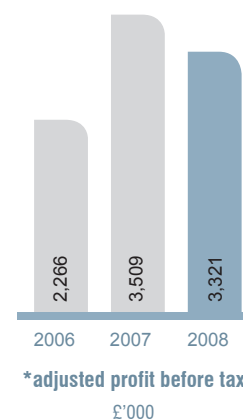
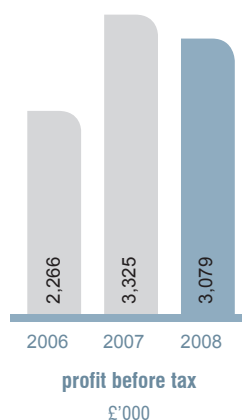
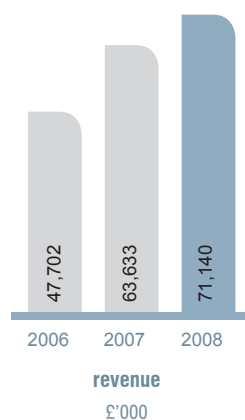
The company is committed to being an economically secure and dynamic business which provides real growth in value to its shareholders, whilst maintaining high professional and ethical standards at all levels.

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interim financial highlights

	*adjusted interim 2008 £'000	interim 2008 £'000	interim 2007 £'000	year 2008 £'000
revenue	71,140	71,140	63,633	136,418
ebitda	4,992	4,992	5,102	10,832
profit before taxation	3,321	3,079	3,325	6,991
basic earnings per share	6.9p	6.3p	7.8p	12.9p
interim dividend	1.3p	1.3p	2.5p	3.8p



* Adjusted figures are before amortisation of goodwill and other acquired intangible assets

interim management report

I am pleased to report that in the six months to December 2008, Waterman Group achieved an increased revenue to £71.1m (2007: £63.6m). Adjusted pre tax profit stands at £3.32m (2007: £3.51m) with pre tax profit of £3.08m (2007: £3.33m). The statutory and adjusted pre tax profits include a foreign exchange gain of £1.45m and a charge of £0.92m for restructuring and redundancy costs of which 45% will be paid in the second half of the financial year. Adjusted basic earnings per share are 6.9p (2007: 8.2p) and basic earnings per share are 6.3p (2007: 7.8p).

GROUP ACTIVITIES - UK

In the UK during the first six months of the financial year, Waterman achieved a turnover consistent with the same period last year. Overall profit margins have reduced, however, following a transfer from private sector to public sector workload in the building and property related markets.

Waterman's Structures and Building Services companies provide planning and design services to the property and development market. Fees generated in this sector represent 35% of UK turnover. In addition, the London based team have been providing technical support to our international operations on several overseas projects in China, Kazakhstan, Russia and Bahrain.

During the first half, several of the UK's largest urban regeneration projects designed by Waterman were completed on site. These include Liverpool One in Liverpool, Cabot Circus in Bristol, Westfield London in White City and Highcross in Leicester. Similar sized projects are currently being designed by Waterman in Leeds and Peterborough. In London, Waterman has recently been appointed on two projects with the Crown Estate and these are in addition to two previous projects with the same client for developments in Regent Street. In December the contractor was appointed for a high quality residential development next to the Tate Modern Gallery for Native Land and Grosvenor. Work has commenced on site and Waterman has been appointed for the detailed design of the buildings.

The Scottish office is currently providing design services on the Turnberry Hotel refurbishment, including a Combined Heat and Power (CHP) on-site energy centre and the first phase is programmed to be complete for hosting the British Open Golf championship in July 2009. At Cambuslang Investment Park, which is to be developed as part of a Scottish Enterprise Business Park, Waterman is carrying out investigations as part of an independent validation exercise for mineral stabilisation works previously completed on the site.

The Government's Building Schools for the Future programme and the education sector in general is generating an increase in workload. Waterman is providing consultancy

services on 35 schools, colleges and universities and is also bidding for £400m of future education related projects. Health projects are also an expanding sector for Waterman and we are involved in the design of 16 primary care centres, hospitals and research facilities. Waterman has been supplying Building Services consultancy services since 2005 on the Allenby Connaught Ministry of Defence project for Aspire Defence Ltd which is the largest PFI project commissioned to date and involves the redevelopment of Salisbury and Aldershot Garrisons.

The Group's civil engineering companies now generate 48% of UK turnover. Current projects include highways and infrastructure work on the strategic rail freight interchange at the former Parkside colliery in St. Helens and a site close to East Midlands Airport. Long term framework contracts continue to provide a significant workload with ongoing agreements with Network Rail, London Underground Infracos, British Airways, Highways Agency and many local authorities. New commissions have been secured for the M60 Managed Motorway feasibility study and the National Station Improvement Programme in East Anglia for Network Rail.

The civil engineering outsourcing company which seconds engineers into the public sector within the UK has continued to consolidate its market share. Staff are seconded into many large public organisations such as the Highways Agency, the Environment Agency, Transport Scotland, over 20 City Councils and motorway management companies such as Optima and A One Plus.

Waterman's specialist highways transportation planning group has been continuing its involvement on regional strategies for the identification of housing allocation sites, mainly based around residential or mixed use regeneration schemes. These include the Welsh Development Agency's "Northern Gateway", which is a 203 hectare scheme and for Royal London Asset Management a £100m mixed use scheme in the London Borough of Brent. Additional recent project appointments include the strategic regeneration masterplan for Redcar and Cleveland.

Waterman's Energy, Environment and Design company is

involved in many long running major projects including a power station decontamination at Lots Road Chelsea, one of the UK's largest regeneration schemes at Wirral Waters in Birkenhead for Peel Holdings and Victoria Interchange for Land Securities. Recent appointments include environmental advisory services on the incinerator upgrade for London Waste at Edmonton, an Eco Park for Oaktech at Eccles, Cambuslang Investment Park in Scotland and Gatwick airport vendor due diligence for BAA.

Corporate Management services focusing on Environmental and Occupational Health and Safety Systems support are being provided to a growing range of major clients including Shell, Chevron, GKN, GE, Petroplus, Virgin Media, Goodyear Dunlop, Britvic, G4S and Kraft. The scope of such services is growing following the launch of "Greenspace" in October 2008 which is accessible via Waterman's new corporate sustainability platform (www.legalregister.co.uk).

Our landscape, ecology and archaeology teams have continued to provide expert advice for the planning and public consultations process at several projects such as the Long Marston/Middle Quinton Ecotown, Dreamland Margate and the North Devon wind farm development adjacent to Exmoor National Park.

I am pleased to be able to report that in November, Waterman won the "Environmental Impact Award" at the British Expertise International Awards 2008. The presentation was made by HRH the Duke of Gloucester, who is the President of British Expertise. In addition, Cabot Circus, the urban regeneration development in Bristol designed by Waterman, won the British Council of Shopping Centres "Supreme Gold Award."

GROUP ACTIVITIES – OVERSEAS

Waterman's revenue from overseas operations has continued to grow and now generates 33% of the Group's total turnover. The established Waterman offices in Russia, Poland, Belgium, Romania, China and Australia have continued to gain significant new commissions, however the global economy has affected certain countries more severely than others and this has impacted on our forward order book. We experienced a noticeable slowdown towards

the end of 2008 with deferrals of certain projects in the UAE and in particular, Dubai.

In Poland, we have been appointed by Ghelamco, a Belgian client, for the design of a 100,000m² commercial and mixed use development in Warsaw which will involve the construction of the tallest building in the city. We have also recently been appointed for the detailed design phase of a 126,000m² retail and mixed use development at Bialystok for KeyInvest/IDG. Designs have continued during the period on a 102,000m² retail and residential development at Walbrzych.

Waterman's Belgium and Romania offices have been particularly busy during 2008 and winning several new commissions for projects not only in their own countries but also in Hungary. Current major projects being designed in the regions include the MG Tower in Ghent, Belgium which is a 25 storey tower providing 30,000m² of commercial space. This building is designed by the Belgian architect Jaspers and Eyers who we are also working with on several other projects in Poland. We have been appointed by Codic to design a 56,000m² office development in Hungary which follows on from the recently completed Zenith Tower for the same client. Detailed design has commenced on the 30,000m² Flemish Parliament building.

Scheme design has progressed well on the 582,000m² mixed use Abu Dhabi Plaza development in Astana, Kazakhstan which is being developed by Aldar Properties PJSC. In November 2008 we were appointed as lead engineering consultant by IKEA to work on their Russian expansion programme. Design work has progressed on Moscow Ocean Park which is a 200,000m² leisure project in the city centre.

We have designed a 20 storey 5 star hotel for Hilton which is being constructed in Kampala, Uganda and work has progressed up to the 10th floor. We are also providing site supervision for this project during the construction phase. In Dublin, we have been appointed as lead consultant on the implementation study for the Docklands Rapid Transit bus system.

Our Middle East and Asia region includes our offices in UAE, India, China and Australia, with projects and resources being shared between the various offices. In Abu Dhabi we were appointed in November 2008 to provide a Facilities Management Strategy for a portfolio of over 2,000 government owned buildings. We have also expanded our environmental group in the UAE and they are providing LEED (Leadership in Energy and Environmental Design) consultancy services to many clients and projects. Waterman has recently been appointed for the design of the building services fit out for the 7,000m² Nokia Siemens Network new regional headquarters at Dubai Knowledge Village.

The contractor for the 450,000m² Al Muneera mixed use development at Al Raha Beach in Abu Dhabi has now been appointed and construction work has commenced. Waterman is the lead consultant on this project and we have a large team based on site. Al Bustan Hotel in Oman was completed in 2008 for IHG Group and is now operating again as one of the pre-eminent hotels in the Middle East.

The structural work on the Crowne Plaza and Staybridge hotels at Yas Island, an Aldar development in Abu Dhabi, has now been completed and the building services design and installation is being progressed in preparation for the completion of the hotels for the first Formula 1 race in the region in November 2009.

In China, the construction of the Tianjin Binhai open bridge over the River Haihe is progressing well and we have recently completed the simulation study for the operation of the bridge. Waterman was appointed in January 2009 for the concept master plan design of Tianjin Binhai Ecology Wetlands Park which covers an area of 20km².

Our Melbourne office in Australia has been extremely busy on several healthcare projects and is currently overseeing the construction phase of the AU\$1.0bn Royal Children's Hospital for the State Government of Victoria. In Sydney, Waterman is providing ESD (Ecologically Sustainable Development) consultancy services on the AU\$200m 100 Mount Street commercial project, which is being developed by joint venture partners Delmege Constructions and Laing O'Rourke Australia. Current projects on site in Sydney include the Western Plains Zoo development and Dee Why Hotel.

In 2008, Waterman Australia won an award for Export Services from the Australian Institute of Export in recognition of the provision of a competitive range of consulting services on projects in Dubai, Abu Dhabi, Romania, Kazakhstan and Poland. The Waterman Group philosophy is to develop professional teams which are able to provide consulting engineering services on an international basis and this award is a testament to the success of our global diversification and response to the needs of our clients.

ACQUISITIONS

There have been several acquisition opportunities considered by the Group during the last six months, however in view of the volatility of the global economy the Board has deemed it inappropriate to proceed with any of these opportunities at this time. An important part of our long term growth strategy will involve the acquisition of complementary, earnings enhancing businesses in the UK and overseas as and when the time arises.

DIVIDEND

In light of the prevailing economic climate, the Board has decided to reduce the level of the dividend payment. This will now be established at a sustainable level with the annual dividend per share to be covered at least 4 times by earnings per share (before amortisation and non-recurring items). The Board has therefore decided to declare an interim dividend of 1.3p per share (2007: 2.5p) payable on 21 April 2009 to shareholders on the register on 20 March 2009.

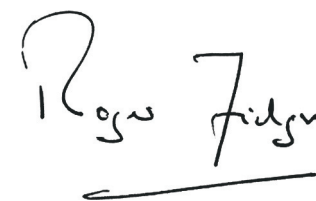
OUTLOOK

Over the last six months the average monthly turnover has been broadly in line with the average monthly turnover from the last quarter of the previous financial year. However, certain sectors and economies in various countries are showing signs of slowing which is providing uncertainty to our future workload. In particular, projects are being deferred in the UAE; however, new opportunities are being discussed with clients operating in Libya, Qatar and Syria.

In response to changing circumstances, reductions to temporary and permanent staff have been made in the first half of the financial year and these actions will result in annual cost savings of £9.0m. Furthermore, the Board is closely monitoring the economy and the Group's forward workload and when necessary, will take further action to align costs with expected revenue.

Our financial gearing remains low and the Group's strong balance sheet provides stability and a sound basis to invest in organic growth and earnings enhancing acquisition opportunities in the future. Cash collection will remain a focus of the business with an emphasis on reducing the debtors days and maximising working capital efficiency.

The Group is not immune from the turmoil in the financial markets and challenges remain. The future of public sector work in the UK and economies in developing countries is unpredictable, however, the Board is exploring new opportunities in diverse markets and geographic locations to broaden further the client base of the company.



Roger Fidgeon
Chairman
23 February 2009

consolidated income statement

for the six months ended 31 December 2008

	<i>notes</i>	Unaudited Six months to 31 December 2008 £'000	Unaudited Six months to 31 December 2007 £'000	Audited Twelve months to 30 June 2008 £'000
Revenue-continuing operations	<i>4</i>	71,140	63,633	136,418
Employee benefits expense		(42,018)	(34,447)	(71,192)
Other operating charges		(24,130)	(24,084)	(54,394)
Operating expenses		(66,148)	(58,531)	(125,586)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		4,992	5,102	10,832
Depreciation of property, plant and equipment		(974)	(819)	(1,694)
Amortisation of other intangible assets		(447)	(333)	(824)
Operating profit	<i>4</i>	3,571	3,950	8,314
Interest payable		(747)	(839)	(1,694)
Interest receivable		255	214	371
Profit before taxation		3,079	3,325	6,991
Taxation	<i>5</i>	(923)	(974)	(2,386)
Profit for the financial period from continuing operations		2,156	2,351	4,605
Profit attributable to - Equity shareholders		1,858	2,250	3,756
Profit attributable to - Minority interests		298	101	849
		2,156	2,351	4,605
Basic earnings per share	<i>6</i>	6.3p	7.8p	12.9p
Diluted earnings per share	<i>6</i>	6.2p	7.6p	12.6p
Dividend paid per share	<i>7</i>	3.8p	3.6p	6.1p
Dividend proposed per share	<i>7</i>	1.3p	2.5p	3.8p

consolidated balance sheet

as at 31 December 2008

		Unaudited Six months to 31 December 2008 £'000	Unaudited Six months to 31 December 2007 £'000	Audited Twelve months to 30 June 2008 £'000
ASSETS				
Non-current assets				
Goodwill		17,187	16,942	17,186
Other intangible assets	8	2,827	2,366	3,021
Property, plant and equipment	8	14,886	14,500	14,787
Loan and receivables		10	10	10
Deferred taxation asset		363	411	363
		35,273	34,229	35,367
Current assets				
Trade and other receivables	9	73,813	56,048	61,430
Cash and cash equivalents		5,516	8,385	5,929
		79,329	64,433	67,359
Total assets		114,602	98,662	102,726
LIABILITIES				
Current liabilities				
Trade and other payables		(50,015)	(39,193)	(40,617)
Financial liabilities - borrowings	10	(4,609)	(3,528)	(3,891)
Current tax liability		(564)	(1,068)	(861)
		(55,188)	(43,789)	(45,369)
Non-current liabilities				
Financial liabilities - borrowings	10	(13,341)	(14,958)	(14,535)
Provisions	11	(4,923)	(3,549)	(4,340)
Deferred taxation liability		(1,994)	(1,766)	(1,983)
		(20,258)	(20,273)	(20,858)
Total liabilities		(75,446)	(64,062)	(66,227)
Net assets		39,156	34,600	36,499
SHAREHOLDERS' EQUITY				
Share capital	12	2,952	2,906	2,910
Share premium reserve		11,857	11,816	11,832
Merger reserve	13	2,789	2,358	2,358
Revaluation reserve		1,491	1,491	1,491
Profit and loss reserve		18,263	15,041	16,250
Total shareholders' equity		37,352	33,612	34,841
Minority interest		1,804	988	1,658
Total equity		39,156	34,600	36,499

consolidated cash flow statement

for the six months ended 31 December 2008

		Unaudited Six months to 31 December 2008 £'000	Unaudited Six months to 31 December 2007 £'000	Audited Twelve months to 30 June 2008 £'000
	<i>notes</i>			
Cash flows from operating activities				
Cash generated from operations	14a	3,613	5,747	8,386
Interest paid		(630)	(378)	(1,012)
Interest received		255	214	371
Tax paid		(1,191)	(521)	(2,083)
Net cash from operating activities		2,047	5,062	5,662
Cash flows from investing activities				
Acquisition of subsidiary undertakings net of cash acquired		-	(1,302)	(1,571)
Deferred consideration paid		(831)	(1,511)	(1,521)
Purchase of other intangible assets		(258)	(145)	(780)
Purchase of property, plant and equipment (PPE)		(750)	(1,286)	(2,184)
Proceeds from sale of PPE and other intangible assets		5	4	18
Net cash used in investing activities		(1,834)	(4,240)	(6,038)
Cash flows from financing activities				
Share issues		32	67	87
Net proceeds from issue of new bank loans		-	2,000	2,000
Repayment of borrowing		(382)	(501)	(856)
Repayments on finance leases		(20)	(7)	(41)
Equity dividends paid		(1,356)	(1,296)	(2,071)
Purchase of shares by Waterman Trustees Limited		(349)	(213)	(269)
Net cash (used in)/from financing activities		(2,075)	50	(1,150)
Net (decrease)/increase in cash and cash equivalents		(1,862)	872	(1,526)
Effect of exchange rate changes		450	190	323
Net (decrease)/increase in cash and cash equivalents	14b	(1,412)	1,062	(1,203)

consolidated statement of changes in shareholders' equity

as at 31 December 2008

	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 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	-	-	-	-	(1,092)	(1,092)	(204)	(1,296)
Balance at 31 December 2007	2,906	11,816	2,358	1,491	15,041	33,612	988	34,600
Currency translation adjustments	-	-	-	-	449	449	215	664
Deferred tax charge for the period	-	-	-	-	(158)	(158)	-	(158)
Share based payments charge	-	-	-	-	146	146	-	146
Adjustment in respect of Share Incentive Plan	-	-	-	-	(56)	(56)	-	(56)
Loss on disposal of own shares	-	-	-	-	(1)	(1)	-	(1)
Derecognition of minority interest share of intangibles acquired on AHW (Victoria) Pty Ltd acquisition	-	-	-	-	-	-	(195)	(195)
Net income recognised directly in equity	-	-	-	-	380	380	20	400
New ordinary shares issued	4	16	-	-	-	20	-	20
Profit for the financial period	-	-	-	-	1,506	1,506	748	2,254
Dividend	-	-	-	-	(677)	(677)	(98)	(775)
Balance at 30 June 2008	2,910	11,832	2,358	1,491	16,250	34,841	1,658	36,499
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)
Balance at 31 December 2008	2,952	11,857	2,789	1,491	18,263	37,352	1,804	39,156

notes to financial information

for the six months ended 31 December 2008

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 23 February 2009.

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 2008 were approved by the Board of Directors on 22 October 2008 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 2008 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 2008, 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 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 2008, as described in those annual financial statements.

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

	Building services	Civil and transportation	Environmental consultancy	Structures	International multi-disciplinary	Total
Six months ended 31 December 2008	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated Income Statement						
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)
Revenue	6,731	22,913	6,871	10,894	23,731	71,140
EBITDA	321	2,022	(219)	955	1,913	4,992
Depreciation	(64)	(295)	(63)	(97)	(455)	(974)
Amortisation	(45)	(226)	(22)	(25)	(129)	(447)
Operating profit / (loss)	212	1,501	(304)	833	1,329	3,571
Net finance costs						(492)
Profit before taxation						3,079
Taxation						(923)
Profit attributable to minority interests						(298)
Profit attributable to equity shareholders						1,858

	Building services	Civil and transportation	Environmental consultancy	Structures	International multi-disciplinary	Total
Six months ended 31 December 2007	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated Income Statement						
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

5. TAXATION

Taxation for the six months ended 31 December 2008 has been calculated at 30% (2007: 29.2%) of the profit before taxation being the estimated effective rate for the year. The effective rate for the period has increased 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 29,475,159 shares in issue during the period and ranking for dividend (31 December 2007: 28,950,581 and 30 June 2008: 29,017,933). 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 29,982,886 shares during the period (31 December 2007: 29,636,167 and 30 June 2008: 29,733,287).

7. DIVIDENDS

The directors propose an interim dividend of 1.3p per share (December 2007: 2.5p per share). The shares become ex-dividend on 18 March 2009 and the dividend will be paid on 21 April 2009 to those shareholders on the register at the close of business on 20 March 2009.

	Unaudited Six months to 31 December 2008 £'000	Unaudited Six months to 31 December 2007 £'000	Audited Twelve months to 30 June 2008 £'000
Dividends charged to equity in the period	1,107	1,092	1,769
Dividend per ordinary share paid in the period	3.8p	3.6p	6.1p

8. CAPITAL EXPENDITURE

	PPE and Other intangible assets £'000
Six months ended 31 December 2008	
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
Six months ended 31 December 2007	
Opening net book amount at 1 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

9. TRADE AND OTHER RECEIVABLES

As of 31 December 2008, trade receivables, net of provisions were £45.4m (30 June 2008: £40.6m) of which £33.1m (30 June 2008: £24.1m) 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 2008 £'000	31 December 2007 £'000	30 June 2008 £'000
Current			
Bank loans	1,060	970	990
Bank overdrafts	2,334	1,526	1,335
Finance leases	51	6	45
Deferred consideration	1,164	1,026	1,521
	4,609	3,528	3,891
Non-current			
Bank loans	11,983	12,699	12,353
Finance leases	120	1	113
Deferred consideration	1,238	2,258	2,069
	13,341	14,958	14,535
Total	17,950	18,486	18,426

Movements in financial liabilities-borrowings are analysed as follows:

	£'000
Six months ended 31 December 2008	
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
Closing amount as at 31 December 2008	17,950
Six months ended 31 December 2007	
Opening amount as at 1 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

11. PROVISIONS

	Liability insurance provision £'000
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
Closing amount as at 31 December 2008	4,923
Six months ended 31 December 2007	
Opening amount as at 1 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

12. 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 134.1p (2007: 44.5p to 164.5p) and a weighted average share price of 120.7p (2007: 98.9p).

Six months ended 31 December 2008	Authorised		Issued and Fully Paid	
	No '000	£'000	No '000	£'000
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
At 31 December 2008	41,000	4,100	29,517	2,952
Six months ended 31 December 2007				
	Authorised		Issued and Fully Paid	
	No '000	£'000	No '000	£'000
At 1 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

13. MERGER RESERVE

The merger reserve arises from the issue of shares at a premium in accordance with S.131 of Companies Act 1985. Included within the profit and loss reserve balance brought forward is an amount of £1,133,000 (2007: £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 2008 £'000	Unaudited Six months to 31 December 2007 £'000	Audited Twelve months to 30 June 2008 £'000
Profit for the financial period	2,156	2,351	4,605
Taxation	923	974	2,386
Interest payable	747	839	1,694
Interest receivable	(255)	(214)	(371)
Amortisation of other intangible assets	447	333	824
Depreciation	974	819	1,694
Profit on disposal of PPE and other intangible assets	(5)	(4)	(9)
Shares granted under the Share Incentive Plan	-	290	290
Share based payments charge	140	121	267
Changes in working capital			
Increase in Trade and other receivables	(9,402)	(3,123)	(8,091)
Increase in Trade and other payables	7,319	2,883	3,906
Increase in provisions	569	478	1,191
Cash generated from operations	3,613	5,747	8,386

b) Analysis of net debt

	31 December 2007 £'000	30 June 2008 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	31 December 2008 £'000
Cash balances	8,385	5,929	(863)	-	450	5,516
Bank overdrafts	(1,526)	(1,335)	(999)	-	-	(2,334)
Cash and cash equivalents	6,859	4,594	(1,862)	-	450	3,182
Current						
Bank loans	(970)	(990)	382	(370)	(82)	(1,060)
Finance leases	(6)	(45)	20	(11)	(15)	(51)
Deferred consideration	(1,026)	(1,521)	831	(467)	(7)	(1,164)
Non-current						
Bank loans	(12,699)	(12,353)	-	370	-	(11,983)
Finance leases	(1)	(113)	-	11	(18)	(120)
Deferred consideration	(2,258)	(2,069)	-	831	-	(1,238)
	(16,960)	(17,091)	1,233	364	(122)	(15,616)
Net debt	(10,101)	(12,497)	(629)	364	328	12,434

15. RELATED PARTY TRANSACTIONS

The directors have identified 19 (2007: 19) key management personnel whose compensation was as follows: -

	2008	2007
	£'000	£'000
Short term benefits	1,464	1,416
Charge in respect of share based payments	82	59
Post employment benefits	101	94
	1,647	1,569

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 2008 which are disclosed within note 1 to the Waterman Group plc Annual Report and Financial Statement 2008.

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 2008 financial statements can be viewed on the Group's website 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.

independent review report to Waterman Group plc

for the six months ended 31 December 2008

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 2008, 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 2, 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 2008 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
23 February 2009

The maintenance and integrity of the Waterman Group plc 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 financial statements since they were initially presented on the website.

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

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 2008. There have been no changes of directors since the Annual Report. A list of current directors is maintained on the Waterman Group website www.watermangroup.com.

By order of the Board
Graham R Hiscocks
Company Secretary
23 February 2009

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