

## WATERMAN GROUP PLC

### Preliminary Full Year Results Announcement for the Period Ended 30 June 2009

Waterman Group plc, the international engineering and environmental consultancy, today announces its preliminary results for the year ended 30 June 2009.

Financial Highlights	Note	2009	2008
• Revenue		<b>£122.4m</b>	£136.4m
• Earnings before interest, tax, depreciation and amortisation	1	<b>£6.3m</b>	£10.8m
• Profit before tax and amortisation of intangible assets	1	<b>£3.1m</b>	£7.4m
• Amortisation of acquired intangible assets		<b>(£0.5m)</b>	(£0.4m)
• Profit before tax	1	<b>£2.6m</b>	£7.0m
• Net debt at 30 June		<b>£10.2m</b>	£12.5m
• Net asset value per share		<b>126p</b>	125p
• Dividend per share		<b>2.2p</b>	6.3p

#### Notes

- The pre tax profits include a foreign exchange gain of £1.4m, a charge of £2.1m for restructuring and redundancy costs of which £0.4m will be paid in the next financial year and an exceptional provision for bad debts and work in progress impairment of £2.8m on a limited number of overseas projects.

Commenting on the results, Nick Taylor, Chief Executive said:-

***“ The property sector both in the UK and overseas has been severely affected by the downturn in the economy. Trading conditions in the second half of the financial year have been tough and as you would expect, this has impacted on our revenue and profits.”***

***“ It will take time for the world’s economy to recover. Waterman is a diversified business and over 30% of the company’s revenue comes from overseas projects. Whilst we are in good shape, with over 55% of our budget revenue for the year ahead already secured and with net debt reduced, the next period in our development will continue to be challenging.”***

-ends-

Date: 5<sup>th</sup> October 2009  
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## CHAIRMAN'S STATEMENT

In the year to 30 June 2009, Waterman Group achieved a revenue of £122.4m (2008: £136.4m) and pre tax profit of £2.6m (2008: £7.0m). The reduction in turnover and profit has followed the turmoil in the financial markets causing a shortage of funding for developments in the private and public sectors worldwide.

During the year, the Group has made working capital management a priority. Net debt has been reduced to £10.2m (2008: £12.5m) and the Group debtors days have reduced to 89 (2008: 98). An exceptional provision of £2.8m, somewhat less than the amount of £4m indicated in May 2009, has been included for bad debt and work in progress impairment on a limited number of overseas projects where fee payments have become less predictable.

Our strategy for expanding our international presence and further diversifying the business has continued and in September 2008 Waterman opened a new office in Chennai, India.

### Group Activities – UK

In the UK, Waterman has continued with its strategy to diversify into the public sector and energy markets. During the year the residential private sector has seen a slight upturn in activity and new projects are proceeding through the planning and design phases. Watermark Place, a 49,000m<sup>2</sup> commercial building where Waterman designed the structure, building services and provided sustainability and environmental advice, has recently been pre-let to Nomura and we are now involved in tenant alterations for the landlord. Mixed use urban regeneration town centre developments of 550,000m<sup>2</sup> designed by Waterman were completed in 2008 at Westfield London; White City, Cabot Circus; Bristol, Liverpool One; Liverpool, Highcross; Leicester and Eagles Meadow; Wrexham.

The Group's civil engineering companies have continued to increase the range of services offered to clients and they generated 48% of the Group's UK turnover. In January, Waterman was appointed by the Highways Agency for the early development scheme design for the implementation of Active Traffic Management for 8.5km of the M62 between Junctions 18 and 28. In Ireland, Waterman has been awarded a four year framework by the Commission for Taxi Regulation to act as lead consultant on a national review of the design and utilisation of taxi ranks throughout the country.

At Kings Cross Station in London, the large excavation as part of major infrastructure works designed by Waterman has been completed for joint client Network Rail and Argent. Partly as a result of our performance on this project, Waterman has been appointed by Berkeley Homes to design the first stage below ground works for the Royal Arsenal Woolwich Crossrail station. Waterman has continued to provide design services to Tube Lines as part of a consultancy framework agreement and has completed designs for rail related enabling works at Stratford for the London Olympics. Our rail group has been appointed to carry out studies on improvements to sixteen stations in East Anglia as part of the National Stations Improvements Programme.

Transportation and masterplan studies are continuing at the proposed strategic rail freight interchange at the former Parkside Colliery in St. Helens, which has required the creation of a strategic transport model and detailed traffic modelling of adjacent stretches of the M6 and M62. During the year, Waterman also completed planning assessment studies for the Weston Otmoor eco-town in Oxfordshire.

Our civil engineering outsourcing company which supplies engineers into the public sector on secondment has experienced consistent demand for its services. Waterman consultants are seconded into County, City and Borough councils throughout the UK, supporting national organisations including the Highways Agency, the Environment Agency and Transport Scotland. We have been able to move staff from the private to public sector during the year and 27% of our UK employees are involved in outsourcing.



The Group's structures and building services companies primarily provide planning and design services to the property and development market. Fees generated in this sector represent 40% of the Group's UK turnover. Waterman has been appointed by Advantage West Midlands to design the 12,000m<sup>2</sup> Manufacturing Technology Centre in Ansty; Coventry as a showcase factory of the future to combine leading edge industrial processes with academic research and development.

As part of the government's Building Schools for the Future programme and Learning Skills Council, Waterman is providing consultancy services on the design of forty four schools and colleges. In the healthcare sector, Waterman is currently designing twenty four new medical and primary health care centres throughout the UK for major contractors and NHS trusts.

Significant residential developments designed by Waterman are progressing well on site in London at the Printworks and Bankside in Southwark, KX200 at Kings Cross and in Knightsbridge at Lancelot Place and Brompton Road. Also in London, work has commenced on site at Quadrant 3 in Regent Street which is a 40,000m<sup>2</sup> mixed use development for The Crown Estate. In April, Waterman was appointed by Network Rail for the design of the new National Centre in Milton Keynes. The development of the new Ordnance Survey headquarters in Southampton designed by Waterman has also commenced on site in 2009. The first phase of the refurbishment programme to upgrade the building services in the Turnberry Hotel and installation of a combined heat and power (CHP) on-site energy centre was successfully designed by Waterman and construction completed for the British Open Golf Championship in July 2009.

In line with general market conditions, our environmental businesses have experienced very challenging trading conditions as planning work, environmental impact assessments and due diligence associated with site and building acquisitions have dramatically reduced. The three environmental companies have been re-structured into one new company "Waterman Energy, Environment and Design" and staff numbers have been rationalised to concentrate on core specialisms and market sectors. The landscape, ecology and archaeology divisions have been involved in a number of planning enquiries and have provided expert evidence on projects such as the undergrounding of electrical cables to avoid pylons in the Green Belt and support to North Devon District Council in relation to a wind farm development close to Exmoor National Park. The environmental impact team has been advising Peel Holdings on the planning application for their Wirral Waters development.

The energy, waste and carbon management divisions have continued to grow in this expanding sector and have been working with Donarbon Waste Management Limited as technical advisor for the £730m Cambridgeshire PFI. Waterman is also providing engineering and project management support to a number of large waste contractors including Veolia Environmental Services and Viridor. We have completed a detailed review for London Waste Eco Park of the future waste streams and the facility's operations. At Gamblethorpe landfill site, we provided consultancy advice to Leeds City Council on the replacement of their landfill gas engines. Utilising its UK specialist expertise, Waterman has been appointed as technical advisor for a new thermal waste to energy treatment facility in Tianjin Binhai, China.

In the power sector, we have continued to promote the multidiscipline services of Waterman and we have recently been appointed by Scottish and Southern Energy to provide design advice on three new substations as part of a framework which covers the upgrade of Scotland's electricity grid network.

### **Group Activities – Overseas**

Waterman generates 33% of the Group's total turnover from overseas operations. As the Group previously announced, there was a noticeable slowdown towards the end of 2008 with deferrals of certain projects in Russia, Poland and UAE, in particular Dubai. Resources have been re-allocated where possible and staff reductions have been necessary on suspended projects.

During the year, Waterman has been providing consultancy advice on some of the world's more prestigious and innovative developments including a 582,000m<sup>2</sup> mixed use development in Astana, Kazakhstan for Aldar, hotels adjacent to the 2009 Grand Prix at Yas Island in Abu Dhabi and a 100,000m<sup>2</sup> mixed use scheme in Warsaw in Poland incorporating towers up to 220m in height. Waterman's first office in India was opened in Chennai in 2008 to continue the expansion of our overseas operations.



In Australia, Waterman's offices in Melbourne, Sydney and Brisbane have continued to gain new commissions from sectors such as healthcare, education, residential, government and technology. In October 2008, Waterman won the New South Wales Services Award for small to medium sized companies at the Australian Export Awards in recognition of providing a comprehensive range of consulting services for projects in Dubai, Abu Dhabi, Russia, Kazakhstan, Poland and Africa. Waterman has continued to provide technical design services to Telstra, Broadcast Australia, Vodafone Hutchinson and Optus on projects throughout Australia.

In Melbourne, construction has commenced at the St. Kilda Football Club, where Waterman has designed a new football training area, administration facility, clubroom, gymnasium, pool and kitchen areas. Similar projects designed by Waterman at North Melbourne Football Club and Whitten Oval Football Club are progressing well on site with both due to complete in November 2009. Aquatic and leisure facilities are currently on site at Geelong and Launceston, Tasmania. In the education sector, Waterman has provided building services designs for Swinburne University and Sydney University. Our Melbourne office is also 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.

Over the last year, Waterman has completed the designs for several international hotels. In Kampala, Uganda a 23 storey 5 star Hilton hotel is currently being constructed and we are also providing site supervision for the project. The Al Bustan Palace Hotel in Oman was completed in 2008 for Intercontinental Hotels Group and is now operating again as one of the pre-eminent hotels in the Middle East. On Yas Island in Abu Dhabi, construction of two hotels for Crowne Plaza and Staybridge is approaching completion before the first Formula 1 Grand Prix race in the region which takes place in November 2009.

In the Middle East, Waterman has been working on a range of projects and is now considering several new opportunities following the collapse of the property market in Dubai in late 2008. Work is progressing well on site on the 450,000m<sup>2</sup> Al Muneera retail and residential development in Abu Dhabi on which Waterman is lead consultant in addition to completing the building services, structures and environmental design for Aldar.

Waterman has recently been appointed by the Abu Dhabi government to provide a Facility Management (FM) strategy and resource plan for over 3,400 government buildings. The FM Group has continued to expand in the region and has been appointed by Abu Dhabi Motorsports Management to provide a strategic plan and procurement process for FM Services on the Yas Island Formula 1 race circuit. Our first commission in Qatar has been awarded during the year to design the extra low voltage services for the landmark Doha Convention Centre Project. Further opportunities are currently being pursued in neighbouring states outside the UAE.

China's economy continues to grow and Waterman's Tianjin office has gained new commissions and expanded the range of services provided on projects in the region. Construction of the Tianjin Binhai open bridge designed by Waterman is expected to complete in 2009 and specialist simulation studies and site supervision have been provided by Waterman as additional services during the construction phase. We have been appointed for the masterplan of a new 20km<sup>2</sup> ecology park and to provide conceptual designs for the main reception building at the 6km<sup>2</sup> leisure and fishing port development in Tianjin Binhai previously masterplanned by Waterman in 2007.

The downturn in the Russian economy has slowed the progress of several of our developments in Moscow and St. Petersburg. However, concept design and tender work have been ongoing during the year on several projects such as the 132,000m<sup>2</sup> Sakhorova Business Plaza in Moscow, a 16,000m<sup>2</sup> luxury apartment hotel in St. Petersburg and Granatniy which is a 19,000m<sup>2</sup> residential complex in central Moscow. New appointments have been secured with Dior, expert due diligence for Rubin on their new 130,000m<sup>2</sup> retail centre, a new data centre for BNP Paribas and a framework agreement with Formula Kino Cinemas.

In Europe, our offices in Romania, Poland, Ireland and Belgium have been busy, particularly on projects in Eastern Europe. Design work has progressed on the 100,000m<sup>2</sup> Galeria Jagiellonska retail centre in Bialystok in Poland and the 200,000m<sup>2</sup> Colosseum retail centre in Budapest. Our Brussels office has been designing Hungaria 95 which is a 50,000m<sup>2</sup> commercial building in Budapest and has recently been appointed by Belgium developer CODIC to complete the structural design of Dozsa, another 50,000m<sup>2</sup> commercial development in Budapest where the architect is Foster + Partners. Detailed design is continuing on the VAC in Leuven which is a 30,000m<sup>2</sup> development for the Flemish Administration. In Ireland, site work has been progressing on the new Clongriffin Railway Station and urban road improvement schemes in Naas and Dun Laoghaire. Recent commissions include a 3.5km condition study of the historic River Liffey quay walls, refurbishment of St. Patrick's Hospital in Dublin and as lead designer for the new Airport Control Centre at Dublin Airport.

We have noticed over the last year that many of our clients in the UK and overseas are interested in development opportunities outside their main country of operation. Waterman has traditionally established new offices in developing countries to provide local design expertise which compliments the Waterman western based teams who generally undertake the conceptual design utilising the wealth of experience built up over many years and as such we are well placed to take advantage of opportunities as they arise.

### **Acquisitions**

There have been several acquisition opportunities considered by the Group during the last twelve months, however in view of the continued 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 the long term growth strategy will involve the acquisition of complementary, earnings enhancing businesses overseas and in the UK.

### **Employee Relations**

As a service business providing consultancy advice to its clients, Waterman's main asset is its staff. A contraction has occurred in Waterman's primary markets both in the UK and overseas and the company has responded by continued diversification into new sectors and by matching personnel levels to anticipated workload. This has resulted in some re-structuring during the last year and Waterman consulted its employees at all stages during the process. In October 2009, a staff survey will be carried out by an independent company to receive feedback from all Waterman employees.

I would like to thank all our staff for their ongoing hard work, contribution and flexibility during the last year which has proved to be extremely demanding during a period of economic uncertainty.

### **Dividend**

Adjusted basic earnings per share before amortisation of intangible assets are 9.8p (2008: 14.0p) and basic earnings per share are 8.6p (2008: 12.9p). The adjusted and basic earnings include a non-recurring gain of 4.0p per share for the write back of deferred tax on profits on overseas earnings accrued for in previous years following a change in the tax regulations from 1<sup>st</sup> July 2009.

Within the interim results it was announced that in view of the prevailing economic climate the Board intended in future to award a total annual dividend per share at a sustainable level and covered by earnings of at least 4 times (before amortisation and non-recurring items). In April 2009, the board awarded an interim dividend of 1.3p per share. Despite making a loss before tax of £0.5m in the second half of the year after provisions and exceptional items, the Board has decided to declare a final dividend of 0.9p per share payable on 12 January 2010 to shareholders on the register on 11 December 2009. This annual dividend of 2.2p per share is covered 2.6 times by adjusted earnings per share of 5.8p before the non recurring tax gain.

## Outlook

During the year, an exceptional provision of £2.8m has been included for bad debt and work in progress impairment on a limited number of overseas projects and the Board considers that the level of provisions is appropriate at this time. Negotiations with clients in Russia, UAE and Ireland where liquidity issues have greatly affected developments are ongoing in respect to the repayment of outstanding fees and also the recommencement of previously suspended projects.

The Group has maintained good working capital management and cash generation. This will continue to remain a focus of the business with an emphasis on further reductions to total debt. Overall financial gearing remains low and the Group's strong balance sheet provides stability and a sound basis to invest in organic growth with the potential for earnings enhancing acquisitions in the future.

Over the last twelve months, Waterman's fee turnover worldwide on private sector property developments has significantly reduced and a process of restructuring has been implemented. In line with this, we have reduced our employee numbers to levels previously experienced three years ago. However, Waterman's business is more diverse than it was and now generates 33% of its turnover from overseas projects. It is anticipated that Waterman will in the future be generating fees on international developments where the design will be carried out by our consultants based either in the UK or relocated to project offices overseas whilst the UK property market remains depressed.

Restructuring and redundancy costs of £2.1m were incurred during the year and this includes £0.4m of costs to be paid in the next financial year. The Board is closely monitoring the economy and the Group's forward workload and if necessary, will take further action to align costs with expected revenue.

The economic climate remains challenging and the future of public sector work in the UK and economies in developing countries is unpredictable. However, our leaner structure will enable the Group to focus on core markets and respond to changing circumstances in other sectors. By the end of June we had already secured over 55% of our budget revenue for the year ahead. The Board remains focused on delivering a high quality service to the Group's clients on a global basis.

Roger Fidgen  
Chairman  
5<sup>th</sup> October 2009

**Consolidated Income Statement  
for the year ended  
30 June 2009**

	Notes	Unaudited Year ended 30 June 2009 £'000	Audited Twelve months to 30 June 2008 £'000
<b>Revenue-Continuing operations</b>			
	4	<u>122,401</u>	<u>136,418</u>
Employee benefits expense		(72,487)	(71,192)
Other operating charges		(43,632)	(54,394)
Operating expenses		<u>(116,119)</u>	<u>(125,586)</u>
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<u>6,282</u>	<u>10,832</u>
Depreciation of property, plant and equipment		(1,835)	(1,694)
Amortisation of other intangible assets		(923)	(824)
<b>Operating profit</b>	4	<u>3,524</u>	<u>8,314</u>
Interest payable		(1,256)	(1,694)
Interest receivable		318	371
<b>Profit before taxation</b>		<u>2,586</u>	<u>6,991</u>
Taxation	5	188	(2,386)
<b>Profit for the financial period from continuing operations</b>		<u>2,774</u>	<u>4,605</u>
Profit attributable to Equity shareholders		2,517	3,756
Profit attributable to Minority Interests		<u>257</u> <u>2,774</u>	<u>849</u> <u>4,605</u>
Basic earnings per share	6	8.6p	12.9p
Diluted earnings per share	6	8.5p	12.6p
Dividend paid per share	7	5.1p	6.1p
Proposed final dividend per share	7	0.9p	3.8p

Included within amortisation of other intangible assets is a charge of £494,000 (2008: £455,000) in respect of acquired intangible assets, a non-cash item. The write back of this expense would, after taxation, increase basic earnings per share by 1.2p to 9.8p (2008: 14.0p) and diluted earnings per share by 1.2p to 9.7p (2008: 13.7p).

**Consolidated Balance Sheet  
as at 30 June 2009**

		<b>Unaudited Twelve months to 30 June 2009 £'000</b>	<b>Audited Twelve months to 30 June 2008 £'000</b>
	Notes		
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		17,290	17,186
Other intangible assets		2,458	3,021
Property, plant and equipment		13,901	14,787
Loan and receivables		10	10
Deferred tax asset		<u>390</u>	<u>363</u>
		<b><u>34,049</u></b>	<b><u>35,367</u></b>
<b>Current assets</b>			
Trade and other receivables	8	50,987	61,430
Cash and cash equivalents		<u>6,158</u>	<u>5,929</u>
		<b><u>57,145</u></b>	<b><u>67,359</u></b>
<b>Total assets</b>		<b><u>91,194</u></b>	<b><u>102,726</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	31,307	40,617
Financial liabilities - borrowings	10	4,598	3,891
Current tax liability		<u>326</u>	<u>861</u>
		<b><u>36,231</u></b>	<b><u>45,369</u></b>
<b>Non-current liabilities</b>			
Financial liabilities - borrowings	10	11,753	14,535
Provisions	11	3,801	4,340
Deferred tax liability	12	<u>781</u>	<u>1,983</u>
		<b><u>16,335</u></b>	<b><u>20,858</u></b>
<b>Total liabilities</b>		<b><u>52,566</u></b>	<b><u>66,227</u></b>
<b>Net assets</b>		<b><u>38,628</u></b>	<b><u>36,499</u></b>
<b>Shareholders' equity</b>			
Share capital	13	3,076	2,910
Share premium reserve		11,880	11,832
Merger reserve	14	3,144	2,358
Revaluation reserve		1,491	1,491
Profit and loss reserve		<u>17,308</u>	<u>16,250</u>
Total shareholders' equity		<b><u>36,899</u></b>	<b><u>34,841</u></b>
Minority interest		<u>1,729</u>	<u>1,658</u>
<b>Total equity</b>		<b><u>38,628</u></b>	<b><u>36,499</u></b>

**Consolidated Cash Flow Statement  
for the year ended 30 June 2009**

	Notes	<b>Unaudited Twelve months to 30 June 2009 £'000</b>	<b>Audited Twelve months to 30 June 2008 £'000</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	15a	6,542	8,386
Interest paid		(1,003)	(1,012)
Interest received		318	371
Tax paid		(1,514)	(2,083)
<b>Net cash from operating activities</b>		<b><u>4,343</u></b>	<b><u>5,662</u></b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary undertakings net of cash acquired		-	(1,571)
Deferred consideration paid		(1,250)	(1,521)
Purchase of other intangible assets		(354)	(780)
Purchase of property, plant and equipment (PPE)		(817)	(2,184)
Proceeds from sale of PPE and other intangible assets		32	18
<b>Net cash used in investing activities</b>		<b><u>(2,389)</u></b>	<b><u>(6,038)</u></b>
<b>Cash flows from financing activities</b>			
Share issues		32	87
Net proceeds from issue of new bank loans		-	2,000
Repayment of borrowing		(1,002)	(856)
Repayments on finance leases		(24)	(41)
Equity dividends paid		(1,733)	(2,071)
Purchase of shares by Waterman Trustees Limited		(359)	(269)
<b>Net cash used in financing activities</b>		<b><u>(3,086)</u></b>	<b><u>(1,150)</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,132)</b>	<b>(1,526)</b>
Effect of exchange rate changes		498	323
<b>Net decrease in cash and cash equivalents</b>	15b	<b><u>(634)</u></b>	<b><u>(1,203)</u></b>



**Consolidated Statement of Changes in Shareholders' Equity (unaudited)  
For the year ended 30 June 2009**

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss reserve £'000	Total share- holders' equity £'000	Minority Interest £'000	Total equity £'000
<b>Balance at 1 July 2007</b>	<b><u>2,879</u></b>	<b><u>11,764</u></b>	<b><u>2,170</u></b>	<b><u>1,491</u></b>	<b><u>13,180</u></b>	<b><u>31,484</u></b>	<b><u>864</u></b>	<b><u>32,348</u></b>
Currency translation adjustments	-	-	-	-	954	<b>954</b>	247	<b>1,201</b>
Deferred tax credit for the year	-	-	-	-	(158)	<b>(158)</b>	-	<b>(158)</b>
Share based payments charge for the year	-	-	-	-	267	<b>267</b>	-	<b>267</b>
Adjustment in respect of Share Incentive Plan	-	-	-	-	42	<b>42</b>	-	<b>42</b>
Loss on disposal of own shares	-	-	-	-	(22)	<b>(22)</b>	-	<b>(22)</b>
Net income recognised directly in equity	-	-	-	-	<u>1,083</u>	<b><u>1,083</u></b>	<u>247</u>	<b><u>1,330</u></b>
New ordinary shares issued	31	68	188	-	-	<b>287</b>	-	<b>287</b>
Profit for the financial year	-	-	-	-	3,756	<b>3,756</b>	849	<b>4,605</b>
Dividend paid	-	-	-	-	(1,769)	<b>(1,769)</b>	(302)	<b>(2,071)</b>
<b>Balance at 30 June 2008</b>	<b><u>2,910</u></b>	<b><u>11,832</u></b>	<b><u>2,358</u></b>	<b><u>1,491</u></b>	<b><u>16,250</u></b>	<b><u>34,841</u></b>	<b><u>1,658</u></b>	<b><u>36,499</u></b>
Currency translation adjustments	-	-	-	-	400	<b>400</b>	115	<b>515</b>
Deferred tax charge for the year	-	-	-	-	20	<b>20</b>	-	<b>20</b>
Share based payments credit for the year	-	-	-	-	(204)	<b>(204)</b>	-	<b>(204)</b>
Adjustment in respect of Share Incentive Plan	-	-	-	-	(31)	<b>(31)</b>	-	<b>(31)</b>
Loss on disposal of own shares	-	-	-	-	(212)	<b>(212)</b>	-	<b>(212)</b>
Net (expense)/income recognised directly in equity	-	-	-	-	<u>(27)</u>	<b><u>(27)</u></b>	<u>115</u>	<b><u>88</u></b>
New ordinary shares issued	166	48	786	-	-	<b>1,000</b>	-	<b>1,000</b>
Profit for the financial year	-	-	-	-	2,517	<b>2,517</b>	257	<b>2,774</b>
Dividend paid	-	-	-	-	(1,432)	<b>(1,432)</b>	(301)	<b>(1,733)</b>
<b>Balance at 30 June 2009</b>	<b><u>3,076</u></b>	<b><u>11,880</u></b>	<b><u>3,144</u></b>	<b><u>1,491</u></b>	<b><u>17,308</u></b>	<b><u>36,899</u></b>	<b><u>1,729</u></b>	<b><u>38,628</u></b>

## **Notes to Financial Information for the year ended 30 June 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.

The preliminary announcement is based on extracts of the unaudited financial statements prepared in accordance with European Union (EU) endorsed International Financial Reporting Standards ("IFRS") and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies are consistent with prior year.

The preliminary announcement for the twelve months ended 30 June 2009 which does not constitute the Group's statutory accounts as defined in section 435 of the Companies Act 2006 was approved by the directors on 29 September 2009.

The Preliminary Announcement is unaudited and the auditors' report on the Group's financial statements has not yet been signed. The disclosures made meet the requirements of the Listing Rules.

The Report of the Auditors on the financial statements for the year ended 30 June 2008 which were prepared in accordance with IFRS was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The financial statements for the financial year ended 30 June 2008 have been delivered to Companies House.

### **2. Basis of preparation**

The unaudited consolidated financial information for the year ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, in accordance with IFRS as adopted by the EU, and in accordance with 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 2008, as described in those annual financial statements. There have been no new IFRS standards that are applicable for the year.

#### 4. Segmental information

##### Year ended 30 June 2009 Consolidated Income Statement

	Building services £ '000	Civil and transportation £ '000	Environmental consultancy £ '000	Structures £ '000	International multi-disciplinary £ '000	Total £'000
Revenue - total	11,866	41,842	12,717	24,860	57,578	148,863
Revenue- internal	(530)	(1,832)	(2,737)	(3,710)	(17,653)	(26,462)
<b>Revenue</b>	<b><u>11,336</u></b>	<b><u>40,010</u></b>	<b><u>9,980</u></b>	<b><u>21,150</u></b>	<b><u>39,925</u></b>	<b><u>122,401</u></b>
<b>EBITDA</b>	<b>467</b>	<b>2,953</b>	<b>(1,509)</b>	<b>2,998</b>	<b>1,373</b>	<b>6,282</b>
Depreciation	(116)	(469)	(130)	(182)	(938)	(1,835)
Amortisation	(84)	(507)	(42)	(40)	(250)	(923)
<b>Operating profit</b>	<b><u>267</u></b>	<b><u>1,977</u></b>	<b><u>(1,681)</u></b>	<b><u>2,776</u></b>	<b><u>185</u></b>	<b><u>3,524</u></b>
Net finance costs						(938)
<b>Profit before taxation</b>						<b><u>2,586</u></b>
Taxation						188
Profit attributable to minority interests						(257)
<b>Profit attributable to equity shareholders</b>						<b><u>2,517</u></b>

##### Year ended 30 June 2008 Consolidated Income Statement

	Building services £ '000	Civil and transportation £ '000	Environmental consultancy £ '000	Structures £ '000	International multi-disciplinary £ '000	Total £'000
Revenue - total	12,987	45,526	16,824	28,647	49,104	153,088
Revenue - internal	(252)	(1,626)	(1,921)	(4,871)	(8,000)	(16,670)
<b>Revenue</b>	<b><u>12,735</u></b>	<b><u>43,900</u></b>	<b><u>14,903</u></b>	<b><u>23,776</u></b>	<b><u>41,104</u></b>	<b><u>136,418</u></b>
<b>EBITDA</b>	<b>994</b>	<b>3,477</b>	<b>971</b>	<b>2,040</b>	<b>3,350</b>	<b>10,832</b>
Depreciation	(134)	(459)	(160)	(214)	(727)	(1,694)
Amortisation	(47)	(483)	(38)	(49)	(207)	(824)
<b>Operating profit</b>	<b><u>813</u></b>	<b><u>2,535</u></b>	<b><u>773</u></b>	<b><u>1,777</u></b>	<b><u>2,416</u></b>	<b><u>8,314</u></b>
Net finance costs						(1,323)
<b>Profit before taxation</b>						<b><u>6,991</u></b>
Taxation						(2,386)
Profit attributable to minority interests						(849)
<b>Profit attributable to equity shareholders</b>						<b><u>3,756</u></b>

## 5. Taxation

Taxation for the year ended 30 June 2009 of £188,000 credit is after release of £1,168,000 of deferred tax in respect of unremitted overseas earnings which is no longer required following changes enacted in the Finance Act 2009 offset by an additional provision of £200,000 for prior year tax matters. After adjusting for these items, the underlying charge for the year of £780,000 represents an effective rate of 30.2% (2008: 34.1%) of the profit before taxation.

## 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 29,402,826 shares in issue during the period and ranking for dividend (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 29,846,686 shares during the period (30 June 2008: 29,733,287).

## 7. Dividends

An interim dividend of 1.3p per share was paid on 21 April 2009. The directors propose a final dividend of 0.9p per share (June 2008: 3.8p per share). The shares become ex-dividend on 9 December 2009 and the dividend will be paid on 12 January 2010 to those shareholders on the register at the close of business on 11 December 2009.

	Unaudited Year ended 30 June 2009 <u>£'000</u>	Audited Year ended 30 June 2008 <u>£'000</u>
Dividends charged to equity in the period	1,432	1,769
Dividend per ordinary share paid in period	5.1p	6.1p

## 8. Trade and other receivables

Trade receivables net of provisions at 30 June 2009 were £31.9m (2008: £40.6m) of which £20.8m (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.

Amounts due from customers on long term contracts at 30 June 2009 were £14.6m (2008: £15.5m).

## 9. Trade and other payables

Trade payables at 30 June 2009 were £6.9m (2008: £6.5m).

Amounts due to customers on long term contracts at 30 June 2009 were £14.1m (2008: £20.9m).

### 10. Financial liabilities-borrowings

	30 June 2009 £'000	30 June 2008 £'000
<b>Current</b>		
Bank loans	1,141	990
Bank overdrafts	2,198	1,335
Finance leases	52	45
Deferred consideration	<u>1,207</u>	<u>1,521</u>
	<u>4,598</u>	<u>3,891</u>
<b>Non-current</b>		
Bank loans	11,249	12,353
Finance leases	100	113
Deferred consideration	<u>404</u>	<u>2,069</u>
	<u>11,753</u>	<u>14,535</u>
<b>Total</b>	<u>16,351</u>	<u>18,426</u>

### 11. Provisions

	30 June 2009 £'000	30 June 2008 £'000
Liability insurance provision		
Opening amount as at 1 July 2008	4,340	2,915
Charged to the consolidated income statement	3,682	6,084
Utilised	(1,094)	(1,788)
Released	(3,096)	(2,913)
Unwinding of discount	<u>(31)</u>	<u>42</u>
<b>Closing amount as at 30 June 2009</b>	<u>3,801</u>	<u>4,340</u>

### 12. Deferred tax liability

The deferred tax liability at 30 June 2009 was £0.7m (2008: £2.0m). The reduction is principally due to the release of a provision for tax on unremitted overseas earnings which is no longer required following changes enacted in the Finance Act 2009.

### 13. 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 30.0p to 134.1p (2008: 44.5p to 164.7p) and a weighted average share price of 60.5p (2008: 91.8p).

	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 during the year in respect of the LTIP	-	-	115	12
Issued as part of the deferred consideration for the acquisition of Waterman Boreham Ltd.	-	-	1,472	147
<b>At 30 June 2009</b>	<u>41,000</u>	<u>4,100</u>	<u>30,756</u>	<u>3,076</u>

#### 14. 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.

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

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

	Unaudited Twelve months to 30 June 2009 £'000	Audited Twelve months to 30 June 2008 £'000
<b>Profit for the financial period</b>	2,774	4,605
Taxation	(188)	2,386
Interest payable	1,256	1,694
Interest receivable	(318)	(371)
Amortisation of other intangible assets	923	824
Depreciation	1,835	1,694
Profit on disposal of PPE and other intangible assets	(7)	(9)
Shares granted under the Share Incentive Plan	116	290
Share based payments charge	(204)	267
Changes in working capital		
Decrease/(increase) in Trade and other receivables	10,234	(8,091)
(Decrease)/increase in Trade and other payables	(9,316)	3,906
(Decrease)/increase in Provisions	(563)	1,191
<b>Cash generated from operations</b>	<u>6,542</u>	<u>8,386</u>

##### b) Analysis of net debt

	30 June 2008 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	30 June 2009 £'000
Cash balances	5,929	(269)	-	498	<b>6,158</b>
Bank overdrafts	<u>(1,335)</u>	<u>(863)</u>	-	-	<b><u>(2,198)</u></b>
<b>Cash and cash equivalents</b>	<u>4,594</u>	<u>(1,132)</u>	-	<u>498</u>	<b><u>3,960</u></b>
<b>Current</b>					
Bank loans	(990)	1,002	(1,104)	(49)	<b>(1,141)</b>
Finance leases	(45)	24	(20)	(11)	<b>(52)</b>
Deferred consideration	(1,521)	1,250	(971)	35	<b>(1,207)</b>
<b>Non-current</b>					
Bank loans	(12,353)	-	1,104	-	<b>(11,249)</b>
Finance leases	(113)	-	13	-	<b>(100)</b>
Deferred consideration	(2,069)	-	1,665	-	<b>(404)</b>
<b>Net debt</b>	<u>(12,497)</u>	<u>1,144</u>	<u>687</u>	<u>473</u>	<b><u>(10,193)</u></b>

## **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 Chairman's Statement. 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 annual report and financial statement.

## **17. Principal risks and uncertainties**

The principal risks and uncertainties requiring critical judgment are in the determination of revenue recognition and the assessment of the percentage of completion achieved on contracts. The group assesses contract progress and determines the proportion of contract work completed at the balance sheet date in relation to the total contract works. Judgments are also made when assessing the adequacy of provisions for potential liability insurance claims and deferred considerations.

## **18. Further information**

Copies of the Annual Report and Financial Statement are expected to be mailed to shareholders on 30 October 2009. Additional copies will be available from the Company's registered office at Pickfords Wharf, Clink Street, London SE1 9DG. In addition, electronic copies of the Annual Report and Financial Statement will be made available 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.