

06 October 2008

WATERMAN UPBEAT AS REVENUE FROM INTERNATIONAL OPERATIONS INCREASES BY 57%

Waterman Group plc, the International engineering and environmental consultancy, today announces its preliminary results for the year ended 30th June 2008.

- Revenue and profit are both ahead of market expectations
- Record order book of £225m (2007: £205m)
- 31% increase in revenue to £136.4m (2007: £103.9m)
- 54% increase in adjusted* operating profit to £8.8m (2007: £5.7m)
- 42% increase in adjusted* profit before tax to £7.4m (2007: £5.2m)
- 17% increase in adjusted* basic earnings per share to 14.0p (2007: 12.0p)
- Dividend per share increased to 6.3p (2007: 5.8p)
- Net Asset Value per share up to 125p (2007: 112p)
- New office opened in Chennai, India
- Major recent project win in Kazakhstan
- Strong cash generation from operations
- Staff numbers increased to 2114, up from 1785 in June 2007

Statutory disclosures:

- 48% increase in operating profit to £8.3m (2007: £5.6m)
- 37% increase in profit before tax to £7.0m (2007: £5.1m)
- 10% increase in basic earnings per share to 12.9p (2007: 11.7p)

* adjusted business performance excludes the amortisation of acquired intangibles.



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

“I am delighted to report another strong set of results for the year ended 30th June 2008. We have achieved our target of increasing the adjusted* profit margin by 10%, which is a major accomplishment. We have recorded significant growth across the Group with a particularly pleasing performance from our overseas operations which have increased revenue by 57%, accounting for 32% of total Group turnover.”

“Our plans for geographical diversification have progressed well with a strong input from our operations in the Middle East, Russia and China. In early 2007 we established an office in Kazakhstan and I am pleased to announce that we have recently been appointed as lead engineering consultant on the 582,000m2 mixed use Abu Dhabi Plaza development in Astana, Kazakhstan which is being developed by Aldar Properties PJSC. It is with great pleasure that I can also announce the opening of a new office in Chennai, our first in India, to provide support consultancy services to our global operations.”

“Our group order book is at a record level and demand for our services continues. As a Group, we have 49 offices worldwide and we operate across 15 countries. We are winning work around the globe as our reputation for quality and delivery becomes more widely recognised.”

“Looking ahead, our balance sheet is in good health and gearing across the Group is low. We are very conscious of the current difficulties in the financial sector, but the Group remain committed to maintaining our strong reputation and growth in expanding markets.”

- ENDS -

Date: 6th October 2008

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CHAIRMAN'S STATEMENT

In the year to 30 June 2008, I am pleased to report that Waterman Group achieved an increased adjusted pre tax profit of £7.4m (2007: £5.2m) on revenue of £136.4m (2007: £103.9m) and net assets per share stand at 125p (2007: 112p). The Board is recommending an increased final dividend of 3.8p (2007: 3.6p) per share. This final dividend, with the increased interim dividend of 2.5p which was paid on 21 April 2008 makes a total dividend for the year of 6.3p (2007: 5.8p). The final dividend will be payable on 16 December 2008 to all shareholders on the register as of 14 November 2008.

The Group has continued to achieve considerable growth over the financial year and has delivered on its strategic targets to increase the adjusted profit margin by 10% compared to the previous year. Another objective was to increase by 50% the volume of work generated overseas to over 30% of the Group's turnover and this has also been achieved. The focus remains on organic growth combined with selective strategic acquisitions of high performance companies in key markets and sectors.

Group Activities - UK

In the UK, Waterman has expanded its operations during the year through organic growth and acquisitions of complementary businesses. The planned diversification into new markets and sectors has resulted in increased workload across all our engineering disciplines and 30% of our fee income is from the public sector. The UK companies have supported the growth of our International operations by working on several of the larger projects in Russia, Kazakhstan and China where a UK based design team has been an integral element of our appointment.

Waterman offers a wide range of integrated environmental consultancy services at operational and strategic levels to government, developers, private companies and public organisations through its three environmental companies: Waterman Environmental, Waterman CPM and Waterman Sustainable Energy. Strong growth in all the environmental and sustainability sectors in which we operate has resulted in an excellent year for our specialist teams. We have achieved our objective of expanding our core environmental skills overseas and are now providing LEED (green building rating) consultancy and sustainability advice on many developments in the UAE and landscape design services on projects in China and Abu Dhabi.

Waterman Sustainable Energy (WSE) is now established in the specialist energy and waste sector. During the year, we commissioned Europe's first synthetic fuel plant which will daily convert 10 tonnes of waste plastic into 7,500 litres of usable synthetic diesel. WSE is working on numerous waste management PFI contracts and is the lead consultant on the Cambridge waste PFI project which over the 20 year waste contract has a value of £780m. We have also been selected as preferred consultant to one of the UK's largest energy producers, Scottish and Southern Energy.

The Group's civil engineering companies have exceeded revenue and profit targets for the year and generated 46% of the Group's UK turnover. The transportation planning group has consolidated its position as one of the UK leaders in this sector following the successful acquisition and integration of Boreham Consulting Engineers in 2007. Large scale transportation studies are ongoing for strategic rail freight interchanges at the former Parkside Colliery in St. Helens and a site close to East Midlands Airport.



Our framework contracts with Councils, Network Rail, London Underground Infracos and British Airways have provided a steady flow of work in highway design and planning, rail station improvements and projects at Heathrow and Gatwick Airports. The framework contract with the Highways Agency has resulted in Waterman being appointed for a major transportation study to design improvements for a 20 mile section of the M60 south of Manchester. We are pleased to announce that in July 2008 Waterman won the Transportation category at the ACE Engineering Excellence Awards for our work on the highly acclaimed 'Fastrack Route A' public transport system at The Bridge, a 264 acre development in Dartford. The rail division has continued work on the design and commissioning of new stations for London Underground and Network Rail at White City. The division has also been working on station improvement works, rail related enabling works at Stratford for the London Olympics and projects for Tubelines. The design of major infrastructure works is ongoing at Kings Cross station in London for the joint client Network Rail and Argent.

Waterman's civil engineering outsourcing business which seconded engineers into the public sector within the UK has achieved a 29% increase in employee numbers over the year to 374 seconded staff. As a partner of the 3 Counties Alliance Partnership, Waterman seconded staff to the Leicestershire, Derbyshire and Nottinghamshire county councils and in addition also supports national organisations including the Highways Agency, the Environment Agency and Transport Scotland.

The Group's structures and building services companies primarily provide planning and design services to the property and development market. They have shown further good progress during the year, expanding operations in many geographic regions and in all building types. Fees generated in this sector represent 35% of the Group's UK turnover. As part of the Government's Building Schools for the Future programme Waterman is providing consultancy services on the design of 22 schools and colleges. Waterman is continuing to provide building services consultancy support on the Allenby Connaught MOD project for Aspire Defence Ltd which is the largest PFI commissioned to date and involves the redevelopment of Salisbury and Aldershot Garrisons. The contract commenced in 2006 and the £1.2bn construction phase is expected to be completed in 2016.

Health projects continue to provide growth in the primary care sector, in hospitals and in research facilities and we are working on the Three Shires PFI and for the Heart of England NHS Trust. Waterman is designing the New Everyman Theatre and is refurbishing the Playhouse Theatre in Liverpool. In the industrial sector Waterman is the lead engineering consultant on Laing O'Rourke's state of the art pre-cast concrete production facility in Steetley and as part of the appointment are also providing civil engineering and environmental advice.

In London, the new UK Supreme Court at Westminster has progressed to construction stage where Waterman is providing design and site supervision services. Waterman has been appointed to provide engineering design consultancy services on Castle Hill, part of Land Securities' regeneration programme at Ebbsfleet Valley in Kent. This is a 20-25 year project which will transform 420 hectares of land into a mix of residential, business, retail, leisure and public space. 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.

Group Activities - Overseas

Waterman's revenue from overseas operations has grown organically by 57% compared to the previous financial year, generating 32% of the Group's total turnover. International growth has been most significant in the oil, gas and natural mineral rich economies of the Middle East and former CIS and in particular Abu Dhabi and Kazakhstan where Waterman opened new offices in early 2007. The

established Waterman offices in Russia, Poland, Belgium, Romania, China, UAE and Australia have continued to gain significant new commissions and the Group's International reputation continues to win projects.

During the year Waterman has increased its forward order book of developments in Russia by over 1,500,000m². Work has commenced on site on Europe's tallest building, Russia Tower in Moscow and also on New Holland, the 220,000m² mixed use development in St. Petersburg. Significant new retail projects have been awarded in Poland, Romania and Hungary. In Kazakhstan, Waterman is lead designer on a 164m tall commercial tower and a trade centre in Astana which together provide 146,000m² of lettable area. Towards the end of the financial year Waterman was appointed as lead engineering consultant on the 582,000m² mixed use Abu Dhabi Plaza development, again in Astana - Kazakhstan, which is being developed by UAE developer Aldar Properties PJSC.

Our Emirates offices in Dubai and Abu Dhabi have continued to grow over the last twelve months to meet increasing demand. We have expanded our consultancy advice in the region to include several of the UK based services such as civil engineering, landscape design, LEED consultancy and facilities management. Work has started on site in Abu Dhabi at Al Muneera, part of Al Raha Beach, one of the longest developments in the world and also two new hotels at Yas Island adjacent to the new race track which will host its first Formula 1 race in 2009. The Dubai office has secured significant new appointments on Dubai Waterfront which on completion, is expected to be the largest waterfront and man-made development in the world.

In Australia, Waterman has offices in Melbourne, Sydney and Brisbane and we are involved in several of the country's greenest and most prestigious developments following our Darling Island project which earlier in the year was awarded a 6 star green star status. This is the first time in New South Wales that such a high standard has been achieved on any commercial development. New commissions have been won across all sectors including healthcare, education, retail, residential, leisure and commercial and we have received a recent appointment from Qantas for a new maintenance facility and departure lounge at Sydney Airport.

Waterman's Chinese operation in Tianjin has continued to provide strategic advice on the finalisation of the masterplan for Binhai New City which will have a population of over 3 million. As part of the regeneration of the Binhai area, the construction of the new bridge across the Haihe river designed by Waterman has progressed well. New appointments in China include the landscape design for the 100 hectare Tianjin Trumpet Island development and an associated 1.5km riverside park and also masterplan designs for Tianjin Binhai High Technology Park.

Within Europe, Waterman's established offices in Poland, Belgium, Romania and Ireland have generated significant new commissions not only in these countries but also further afield in Latvia, Lithuania, Estonia, Ukraine and Hungary. In response to the demand within the Central Eastern Europe region a larger office has been established in Poland. Detailed design work has been ongoing on the first modern business park of 40,000m² at Gdynia and a 102,000m² retail centre and residential development at Walbrzych in Poland. Waterman is currently designing the 200,000m² Colosseum retail centre in Bucharest and has recently been appointed for two 160m high commercial and residential towers in Warsaw for Belgian developer Ghelamco.

As our clients have become more global, there has been a surge in demand for our western based teams to undertake conceptual design with detailed designs being completed by our local office in the country where the development is to be built. In this financial year we have generated over £3.2m of fees on overseas projects where the design has been carried out by our UK teams. It is anticipated

that the volume of fees generated overseas for our UK based consultancy teams will increase as projects move forward in Russia, Kazakhstan and China. Waterman now employs 583 staff overseas out of a total of 2114, which has grown from 1785 in June 2007.

Acquisitions

On 01 September 2007 Waterman Building Services Ltd acquired a 100% interest in Furness Green Ltd, a mechanical and electrical specialist consulting engineer based in Nottingham, Leeds and London. Furness Green Ltd, which was fully integrated into Waterman Building Services Ltd in July 2008, 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, a specialist transport planning consultant, acquired in April 2007, is now fully integrated within the Group and performed strongly during the year.

Strategy

Waterman has 49 offices worldwide operating in 15 countries. We will continue to focus on increasing our share of overseas revenue, working for global clients and cross selling our services. The Group's strategy is to continue to invest in sectors and regions which deliver long term growth and profitability. Our recently opened offices in Abu Dhabi – UAE, Almaty – Kazakhstan, Tianjin – China and Brisbane - Australia are now generating significant fee income and opportunities and we intend to establish additional local offices in more countries in the future.

Waterman aims to extend the range of consultancy advice offered in each of its international offices and in particular environmental, civil engineering and sustainability services. To service the growing environmental and sustainability market both in the UK and overseas, we are merging our existing specialist businesses into a new company Waterman Energy, Environment and Design, to provide a holistic consultancy service on a global basis.

Board of Directors

Alex Burton retired from the board on 30 June 2008 prior to his 65th birthday in July having served on the board since the company's flotation on the London Stock Exchange in 1988. He will continue to work for Waterman as Chairman of the newly formed subsidiary Waterman Energy, Environment and Design. I would like to thank Alex for his significant contribution to Waterman's success over the last 43 years and in particular for his personal commitment to many regeneration projects such as Bluewater - Kent, The Bull Ring – Birmingham and White City - London.

Employee Relations

As a service business providing advice to its clients, Waterman's greatest asset is its staff. The Group provides guidance and training for all its employees to progress professionally, to take on responsibility and to expand their expertise and ability. The increase of our international workload has also provided the opportunity for employees to move around our global organisation and experience different cultures and lifestyles. The Group rewards its staff through a range of salary and share based benefit schemes which provide a long term incentive to create sustainable growth within the business.

I would like to thank all our staff for their ongoing hard work and commitment to the future success of the Group. It is through their efforts that a record volume of work has been successfully completed



and also secured for the future. I am pleased to report that we have been a net creator of 292 new jobs through organic growth during this financial year.

Outlook

Waterman Group has achieved an increase in revenue of 31% over the last twelve months with 32% of revenue generated from projects outside the UK. The majority of our worldwide markets and sectors remain strong and we have good visibility and a record order book. The Group is well positioned to increase its turnover in countries such as Russia, Kazakhstan, UAE and China and in September 2008 we opened an office in Chennai, India to provide support consultancy services to our operations.

The Group's strong balance sheet and gearing of 34% provides stability and the ability to be able to invest in organic growth and acquisition opportunities in the future.

Your Board monitors closely the global macro and micro economic situation and has through forward planning and historic investment positioned Waterman Group in specific countries around the world to maximise opportunities and enable work to be shared between the various Waterman offices. Demand for Waterman's services is increasing and despite the uncertainty about the world economy and difficulties in the current financial markets, your Board considers that Waterman has a strong presence in growth markets both in the UK and overseas to be able to view the coming year with cautious optimism.

Group Income Statement
 for the year ended 30 June 2008

Notes	Before amortisation of acquired intangibles £'000	Amortisation of acquired intangibles £'000	Year Ended 30 June 2008 (unaudited) £'000	Before amortisation of acquired Intangibles £'000	Amortisation of acquired intangibles £'000	Year ended 30 June 2007 (audited) £'000
Revenue – continuing operations	136,418	-	136,418	103,903	-	103,903
Earnings before interest, tax, depreciation and amortisation (EBITDA)	10,832	-	10,832	7,275	-	7,275
Depreciation of PP&E	(1,694)	-	(1,694)	(1,301)	-	(1,301)
Amortisation of intangible assets	(369)	(455)	(824)	(222)	(135)	(357)
Operating profit	8,769	(455)	8,314	5,752	(135)	5,617
Interest payable	(1,694)	-	(1,694)	(723)	-	(723)
Interest receivable	371	-	371	200	-	200
Profit before taxation	7,446	(455)	6,991	5,229	(135)	5,094
Taxation	4 (2,521)	135	(2,386)	(1,377)	40	(1,337)
Profit for the financial year from continuing operations	4,925	(320)	4,605	3,852	(95)	3,757
Profit attributable to equity shareholders	4,076	(320)	3,756	3,442	(95)	3,347
Profit attributable to minority interest	849	-	849	410	-	410
	4,925	(320)	4,605	3,852	(95)	3,757
Basic earnings per share	5 14.0p	(1.1p)	12.9p	12.0p	(0.3p)	11.7p
Diluted earnings per share	5 13.7p	(1.1p)	12.6p	11.7p	(0.3p)	11.4p
Dividend paid per share in the year	6		6.1p			5.6p



Dividend proposed
per share

6

3.8p

3.6p

Group Balance Sheet
as at 30 June 2008

	Notes	As at 30 June 2008 (unaudited) £'000	As at 30 June 2007 (audited) £'000
Non-current assets			
Goodwill	2	17,186	15,439
Other intangible assets	3	3,021	2,544
Property, plant and equipment		14,787	13,938
Loans and receivables		10	10
Deferred tax asset		363	389
		<u>35,367</u>	<u>32,320</u>
Current assets			
Trade and other receivables		61,430	50,887
Cash and cash equivalents		5,929	6,221
		<u>67,359</u>	<u>57,108</u>
Total assets		<u>102,726</u>	<u>89,428</u>
Current liabilities			
Trade and other payables		(40,617)	(35,120)
Financial liabilities - borrowings		(3,891)	(3,878)
Current tax liability		(861)	(515)
		<u>(45,369)</u>	<u>(39,513)</u>
Non-current liabilities			
Financial liabilities – borrowings		(14,535)	(12,893)
Provisions		(4,340)	(2,915)
Deferred tax liability		(1,983)	(1,759)
		<u>(20,858)</u>	<u>(17,567)</u>
Total liabilities		<u>(66,227)</u>	<u>(57,080)</u>
Net assets		<u>36,499</u>	<u>32,348</u>
Equity			
Share capital		2,910	2,879
Share premium reserve		11,832	11,764
Merger reserve		2,358	2,170
Revaluation reserve		1,491	1,491
Profit and loss reserve		16,250	13,180
Total shareholders' equity		<u>34,841</u>	<u>31,484</u>
Minority Interest		1,658	864
Total equity		<u>36,499</u>	<u>32,348</u>

Group Cash Flow Statement
for the year ended 30 June 2008

	Year ended 30 June 2008 (unaudited) £'000	Year ended 30 June 2007 (audited) £'000
Cash flows from operating activities		
Cash generated from operations (see below)	8,386	7,211
Interest paid	(1,012)	(694)
Interest received	371	200
Tax paid	(2,083)	(1,602)
Net cash from operating activities	5,662	5,115
Cash flows from investing activities		
Acquisition of subsidiary undertakings, net of cash acquired	(1,571)	(5,208)
Part disposal of subsidiary undertaking	-	13
Deferred consideration paid	(1,521)	(50)
Purchase of other intangible assets	(780)	(349)
Purchase of property, plant and equipment (PPE)	(2,184)	(1,243)
Proceeds from sale of PPE and other intangible assets	18	23
Net cash used in investing activities	(6,038)	(6,814)
Cash flows from financing activities		
Share issues	87	101
Net proceeds from issue of new bank loans	2,000	7,304
Repayments of borrowing	(856)	(708)
Capital repayments on finance leases	(41)	(48)
Equity dividends paid	(2,071)	(1,705)
Purchase of shares by Waterman Trustees Limited	(269)	(263)
Net cash (used in)/from financing activities	(1,150)	4,681
Net (decrease)/increase in cash and cash equivalents	(1,526)	2,982
Effect of exchange rate changes	323	30
Net (decrease)/increase in cash and cash equivalents	(1,203)	3,012
Reconciliation of profit for the financial year to cash generated from operations		
Profit for the financial year	4,605	3,757
Taxation	2,386	1,337
Interest payable	1,694	723
Interest receivable	(371)	(200)
Amortisation of intangible assets	824	357
Depreciation	1,694	1,301
Profit on disposal of PP&E and other intangible assets	(9)	(19)
Shares granted under the share incentive plan	290	198
Share based payments charge	267	71
Changes in working capital		
Increase in trade and other receivables	(8,091)	(9,206)

Increase in trade and other payables	3,906	8,035
Increase in provisions	1,191	857
Cash generated from operations (see above)	8,386	7,211

**Group Statement of Changes in Shareholders' Equity (unaudited)
 for the year ended 30 June 2008**

	Share capital	Share premium	Merger reserve	Revaluation reserve	Profit and Loss reserve	Total shareholders' equity	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2006	2,856	11,685	2,146	1,450	11,361	29,498	364	29,862
Currency translation adjustments	-	-	-	-	(13)	(13)	34	21
Deferred tax credit for the year	-	-	-	41	91	132	-	132
Share based payments charge for the year	-	-	-	-	71	71	-	71
Adjustment in respect of Share Incentive Plan	-	-	-	-	(73)	(73)	-	(73)
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	-	-	-	41	76	117	191	308
New ordinary shares issued	23	79	24	-	-	126	-	126
Profit for the financial year	-	-	-	-	3,347	3,347	410	3,757
Dividend	-	-	-	-	(1,604)	(1,604)	(101)	(1,705)
Balance at 30 June 2007	2,879	11,764	2,170	1,491	13,180	31,484	864	32,348
Currency translation adjustments	-	-	-	-	954	954	247	1,201
Deferred tax charge for the year	-	-	-	-	(158)	(158)	-	(158)
Share based payments charge for the year	-	-	-	-	267	267	-	267
Adjustment in respect of Share Incentive Plan	-	-	-	-	42	42	-	42
Loss on disposal of own shares	-	-	-	-	(22)	(22)	-	(22)
Net income recognised directly in equity	-	-	-	-	1,083	1,083	247	1,330
New ordinary shares issued	31	68	188	-	-	287	-	287
Profit for the financial year	-	-	-	-	3,756	3,756	849	4,605
Dividend	-	-	-	-	(1,769)	(1,769)	(302)	(2,071)
Balance at 30 June 2008	2,910	11,832	2,358	1,491	16,250	34,841	1,658	36,499

Notes to the cash flow statement

a) Analysis of net debt (unaudited)

	At 1 July 2007 £'000	Cashflow £'000	Other non-cash changes £'000	Exchange movements £'000	At 30 June 2008 £'000
Cash balances	6,221	(615)	-	323	5,929
Bank overdrafts	(424)	(911)	-	-	(1,335)
Cash and cash equivalents	<u>5,797</u>	<u>(1,526)</u>	-	323	<u>4,594</u>
Current					
Bank loans	(1,443)	856	(340)	(63)	(990)
Finance leases	(12)	41	(66)	(8)	(45)
Deferred consideration	(1,999)	772	(214)	(80)	(1,521)
Non-current					
Bank loans	(10,693)	(2,000)	340	-	(12,353)
Finance leases	(1)	-	(112)	-	(113)
Deferred consideration	(2,199)	-	130	-	(2,069)
	<u>(16,347)</u>	<u>(331)</u>	<u>(262)</u>	<u>(151)</u>	<u>(17,091)</u>
Total	<u>(10,550)</u>	<u>(1,857)</u>	<u>(262)</u>	172	<u>(12,497)</u>

b) Reconciliation of net cashflow to net debt (unaudited)

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
(Decrease)/increase in cash balances in the year	(615)	2,859
Increase/(decrease) in bank overdrafts in the year	(911)	123
(Decrease)/increase in cash in the year	<u>(1,526)</u>	<u>2,982</u>
Net reduction/(increase) in borrowings	1,407	(3,377)
New bank loans	(2,000)	(7,275)
(Increase) in net debt resulting from cash flows	<u>(2,119)</u>	<u>(7,670)</u>
Exchange rate adjustments	172	(34)
(Increase) in net debt in the year	<u>(1,947)</u>	<u>(7,704)</u>
Net debt at 1 July 2007	<u>(10,550)</u>	<u>(2,846)</u>
Net debt at 30 June 2008	<u>(12,497)</u>	<u>(10,550)</u>

Notes

1. The preliminary announcement is based on extracts of the unaudited financial statements prepared in accordance with EU endorsed International Financial Reporting Standards ("IFRS") and IFRIC interpretations and with those parts of the Companies Act 1985 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 2008 which does not constitute the Group's statutory accounts as defined in Section 240 of the Companies Act 2005 was approved by the directors on 30 September 2008.

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 2007 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 2007 have been delivered to Companies House.

2. Additions to goodwill of £1,747,000 during the year comprise amounts of £680,000 arising on the acquisition of Furness Green Limited, £439,000 adjustment on the acquisition in April 2007 of Boreham Consulting Engineers Ltd, £190,000 arising on the acquisition of RJA Consulting Ltd, £77,000 arising on the reclassification of goodwill in Waterman Emirates Ltd and £361,000 of exchange rate adjustments.

3. On 1 September 2007, Waterman Building Services Limited acquired 100% of the issued share capital of Furness Green Limited, a mechanical and electrical design consultancy with offices in London, Leeds and Nottingham for a maximum consideration of £1,336,000. Net assets acquired of £656,000 included intangible assets of £217,000, trade and other receivables of £932,000, cash of £37,000 and liabilities of £564,000. The business and assets of Furness Green Limited were transferred into the parent company at net book value on 1 July 2008.

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 for a consideration of £488,000. Net assets acquired of £298,000 included intangible assets of £204,000, work in progress of £151,000 and liabilities of £57,000.

4. The tax charge for the year of £2,386,000 (2007: £1,337,000) represents an effective rate of 34.1% (2007: 26.2%) on profit before taxation. Full provision is made for taxation in Ireland where the corporate tax rate is 12.5% and in Dubai where the corporate tax rate is zero. The 2007 tax charge benefitted from £214,000 of prior year adjustments relating to tax relief on the exercise of share options.

5. Basic earnings per share has been calculated on the profit attributable to equity shareholders and is based on a weighted average of 29,017,933 ordinary shares (30 June 2007: 28,685,569).

Diluted earnings per share has been calculated on the profit attributable to equity shareholders and is based on a weighted average of 29,733,287 ordinary shares (30 June 2007: 29,302,516).

6. An interim dividend of 2.5p (2007: 2.2p) was paid on 21 April 2008. A final dividend payable of 3.8p per share (2007: 3.6p) will be recommended by directors for approval at the Annual General Meeting.

7. The maintenance of the website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the Preliminary Announcement since it was initially presented on the website.



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

9. The Annual Report and Accounts for Waterman Group plc for the year ended 30 June 2008 are to be posted to shareholders on 30 October 2008 and will be available to members of the public from that date from the Group's registered office at Pickfords Wharf, Clink Street, London SE1 9DG.

10. The Annual General Meeting will be held on Friday 5 December 2008 at 12.00 noon at The Apothecaries Hall, Blackfriars Lane, London EC4. The final dividend if approved will be paid on 16 December 2008 to shareholders on the register on 14 November 2008.