WATERMAN PERFORMING IN LINE WITH FORECAST AS DIVIDEND DOUBLES

Waterman Group plc, the international engineering and environmental consultancy, today announces its interim results for the six months to 31 December 2013.

Highlights for Continuing Operations	**HY14 unaudited**	HY13 unaudited
• Revenue	**£34.0m**	£31.4m
• Earnings before interest, tax, depreciation, amortisation and exceptional items	**£1.0m**	£0.7m
• Profit before tax	**£0.6m**	£0.1m
• Adjusted profit before tax *	**£0.7m**	£0.5m
• Basic earnings/(loss) per share	**1.0p**	(0.3p)
• Adjusted earnings per share *	**1.3p**	0.8p
• Interim dividend per share	**0.4p**	0.2p

- Net funds increased since 30 June 2013 by 43% to £1.6m (30 June 2013: £1.1m).
- Improving conditions in the UK property sector which remains the Group's largest market.
- Performance has benefited from the decisive action taken to restructure overseas activities leading to the Group's withdrawal from United Arab Emirates and Russia.
- Interim dividend increased by 100% as the Group moves towards its target to reduce dividend cover towards two times over the economic cycle.
- The Group remains on course to achieve its target of tripling adjusted profit before tax over the next three years.

*****Adjusted for amortisation of acquired intangible assets and exceptional items.

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

" The period has seen trading conditions and confidence improve in our core UK markets. Our UK businesses grew revenue by 18% and now represent 84% of the Group."

"Waterman has continued to generate an improving trend in its financial performance. The recent strategic restructuring of the Group will enable Waterman to capitalise on improving conditions in its established markets where it enjoys longstanding client relationships. We are confident that our strategy over the next three years will deliver significant improvements in its results and generate increasing returns for our shareholders."

-ends-

Date: 28 February 2014

For further information please contact:

Waterman Group plc	Broker Profile	N+1 Singer
Nick Taylor, Chief Executive	Simon Courtenay	Sandy Fraser
Alex Steele, Finance Director	Tamsin Shephard	020-7496-3178
020-7928-7888	020-7448-3244	
www.watermangroup.com		

INTERIM MANAGEMENT REPORT

We are now in the first year of a three year plan to drive a sustainable improvement in our financial performance. It is pleasing to report that the Group has made good progress towards the target to triple adjusted profits before tax over the three year period.

As a result of the decisive action taken to restructure our overseas activities leading to the Group's withdrawal from the United Arab Emirates and Russia the Group generated 84% of its revenue from the UK in the period. Our workload in London and the regions has continued to grow and in order to meet this demand we have reinforced our recruitment activity which has resulted in a 5% increase in the number of our engineers and environmental consultants to 1,041 since 1 July 2013.

Overall, this represents significant progress towards our strategic objectives and it is appropriate to reflect our increased confidence in the Group's future performance. Therefore, the Board has decided to announce a doubling of the interim dividend to 0.4p (2013: 0.2p).

Markets

The Group's strategy to focus primarily on the more established markets and longstanding client relationships in the UK will be the main driver for future growth. This will be supplemented by our operations in Australia, Ireland and Poland.

We continue to experience increased demand for our services from the residential and commercial sectors. In addition, the retail sector is becoming more buoyant as developers progress their projects through the early planning phases, with revenue anticipated to increase during 2015 as developments move towards the tender and construction phase.

The London property markets remain very strong. Encouragingly in recent months we have experienced more activity outside London, particularly in the residential and retail sectors.

In the Public Sector, our outsourcing operations have experienced significant growth in the number of highways and transportation engineers on secondment to Borough and City Councils in the UK regions.

Overseas, our offices in Melbourne and Sydney in Australia continue to experience low levels of activity from both the private and public property sectors. In Ireland and Poland the economic situation has improved over the last six months and we remain optimistic about future development opportunities, particularly in Dublin and the surrounding residential areas.

Strategic Initiatives

Significant progress has been made towards achieving our three year strategic targets to deliver strong results and generate increasing returns for our shareholders.

We are gaining a greater market share driven by our longstanding client relationships and acknowledged design excellence and we are expanding to meet this increased demand.

The Group has continued to reduce its exposure to markets which the Board believes can no longer provide us with the prospect of adequate returns in the medium term.

In July 2013, we commenced the withdrawal from the United Arab Emirates and by the end of January 2014 we had no employees remaining in the region. The costs and cash flows associated with the wind down of operations are currently in line with management expectations.

In December 2013, the Group announced a rationalisation of reporting lines and the appointment of joint Chief Operating Officers to drive growth in our main markets of Property & Infrastructure, Environment and Energy. Our immediate and important focus is to return our Civil & Transportation regional businesses back to at least a break even position through increased workload and reorganisation of resources and then to an acceptable level of profitability.

On 14 January 2014, the Board implemented the second phase of the restructuring of the Group's overseas operations and commenced the withdrawal from Russia. Having reported an operating loss of £88k in the first half, we currently anticipate that in the financial year to 30 June 2014 we will incur a loss from Discontinued Operations in Moscow of around £1.9m, with a cash outflow of around £1.3m after anticipated receipts associated with the orderly wind down of operations and financial settlements in respect of debtors and work in progress.

Results

Revenue from Continuing Operations was £34.0m (2013: £31.4m), up 8%.

Adjusted*pre tax profit before exceptional items was £0.7m (2013: £0.5m), up 40%.

*Excludes amortisation of acquired intangible assets £7k (2013: £207k) and exceptional items £113k (2013: £189k).

The loss from Discontinued Operations in the United Arab Emirates was £1.7m (2013: £2k).

The basic earnings per share from Continuing Operations was 1.0p (2013: 0.3p loss). Adjusted earnings per share from Continuing Operations before amortisation of acquired intangible assets and exceptional items was a profit of 1.3p (2013: 0.8p).

As at 31 December 2013, net assets per share were 98p (2013: 109p) and net funds were £1.6m (31 December 2012: £0.2m, 30 June 2013: £1.1m).

Business Reviews

United Kingdom

Segment	**H1 FY14**			**H1 FY13**		
	Revenue £'000	**Operating profit/(loss) * £'000**	**Margin**	**Revenue £'000**	**Operating profit/(loss) * £'000**	**Margin**
Structures	7,037	657	9.3%	5,748	542	9.4%
Building Services	3,545	229	6.5%	2,487	19	0.8%
Property	**10,582**	**886**	**8.4%**	**8,235**	**561**	**6.8%**
Energy, Environment & Design	4,009	310	7.7%	3,313	274	8.3%
Civil & Transportation	13,853	(583)	(4.2%)	12,544	(139)	(1.1%)
Total	**28,444**	**613**	**2.2%**	**24,092**	**696**	**2.9%**

***** Before amortisation of acquired intangible assets and exceptional items.

The UK has delivered an 18% growth in revenue, from £24,092k to £28,444k, with operating profit reducing by 12% to £613k due to increased losses in the Civil & Transportation business.

As anticipated, the Property building design teams in Structures and Building Services have continued to expand, delivering a 29% growth in revenue to £10,582k and a 58% increase in operating profit to £886k. Encouragingly, the margins delivered by Building Services are returning to more normal levels as projects move forward to construction and as utilisation increases.

The Energy, Environment & Design teams have continued to experience growth, particularly from London clients requiring Environmental Impact Assessments where we are one of the leading technical planning consultants. Mainly reliant on the property sector, an important aspect of our strategy is to expand our teams into the Public Sector to provide greater diversity of workload and clients.

The Civil & Transportation teams have continued to struggle to gain traction as 85% of their resource is located outside the buoyant London region. As announced on 23 December 2013, the Civil & Transportation and Energy, Environment & Design teams will work within the Infrastructure, Environment & Energy segment. The inaugural Chief Operating Officer is Neil Humphrey, currently MD of the Energy, Environment & Design business segment.

The integration of the businesses and streamlined management structure will enable the civil engineering and environmental teams to better focus together on new and existing markets with an emphasis on returning over time to profitability and significantly improving the return on capital employed.

Overseas

Segment (Continuing operations)	H1 FY14			H1 FY13		
	Revenue £'000	Operating profit/(loss)* £'000	Margin	Revenue £'000	Operating profit/(loss)* £'000	Margin
Multidiscipline Structures & Building Services (Property)	**5,518**	**150**	**2.7%**	**7,273**	**(183)**	**(2.5%)**
Due to non-controlling interests	1,574	169	10.7%	1,884	157	8.3%
Waterman shareholders	**3,944**	**(19)**	**(0.5%)**	**5,389**	**(340)**	**(6.3%)**
Australian business contribution	1,984	118	5.9%	2,687	84	3.1%
Wholly owned businesses	1,960	(137)	(7.0%)	2,702	(424)	(15.7%)

***** Before amortisation of acquired intangible assets and exceptional items.

The United Arab Emirates has been reported separately as a Discontinued Operation.

Following the prior year's withdrawal from China and the integration of the London based international team into our UK Structures and Building Services teams, the International segment, as anticipated, has returned to profitability, albeit on a reduced level of turnover.

Our businesses in Australia, Ireland and Poland have generated an operating profit which has been partially offset by losses of £88k in Russia resulting from lower levels of work and utilisation following the conclusion of several development projects. It is anticipated that Russia will be treated as a Discontinued Operation in the financial year to 30 June 2014.

In Australia, our teams are currently involved in several commissions in the residential, healthcare and judicial sectors. Over the last year there has been a more competitive environment amongst consultants and we anticipate that this will continue for the foreseeable future.

Our office in Dublin has continued to provide technical support to several overseas investors purchasing development sites in the city which are likely to proceed at some stage through the planning process and construction. We are currently transferring work from London to Dublin to increase utilisation in the Dublin office until local work materialises on new projects.

All our overseas operations specialise in building design involving Building Services and Structural engineering. Following the recent restructure these businesses will form part of the Property segment thereby improving communication and increasing the ability to share clients and resources.

The inaugural Chief Operating Officer is Craig Beresford, currently MD of the Structures business segment in the UK.

Dividend

In line with the Group’s strategy to increase shareholder returns, the Board has decided to double the dividend to 0.4p per share (2013: 0.2p) payable on 18 April 2014 to shareholders on the register on 21 March 2014.

Board

As part of the restructuring announced on 23 December 2013, Simon Harden and John Waiting have stepped down from the Board and will leave Waterman on 31 March 2014 to pursue other interests.

I would like to thank both Simon and John for their significant contribution to the Board over many years.

Outlook

Waterman has a strong brand based on longstanding relationships between our clients and our engineers and environmental consultants. As opportunities continue to increase we aim to gain a greater market share through our reputation, ability to deliver and the trust of our clients. Waterman’s strong market position and provision of a high quality service will enable the Group to maximise future opportunities.

The commencement of the three year strategy, business plans and recent actions has given the Group more focus on established sustainable markets and strengthened our ability to deliver our future targets.

We are optimistic about the future which is reinforced by the niche positioning of Waterman within the engineering and environmental consultancy sectors. Consequently, the Board is confident of the Group’s ability to deliver increasing value for our shareholders.

Roger Fidgen
Chairman
28 February 2014

Independent review report to Waterman Group plc
for the six months ended 31 December 2013

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 2013, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Shareholders' Equity and the Notes to Financial Information. We have read the other information contained in the Half - Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

Directors' responsibilities

The Half - Yearly Financial 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 Conduct Authority.

As disclosed in note 2, the Annual Financial Statements of the Group are prepared in accordance with IFRSs 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 Conduct 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 2013 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 Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
1 Embankment Place
London WC2N 6RH
28 February 2014

Consolidated Income Statement
for the six months ended 31 December 2013

	Notes	Pre-exceptional items £'000	Exceptional items (Note 6) £'000	Unaudited Six months to 31 December 2013 £'000	Pre-exceptional items (restated) £'000	Exceptional items (Note 6) £'000	Unaudited Six months to 31 December 2012 (restated) £'000
Revenue	4	33,962	-	33,962	31,365	-	31,365
Employee benefits expense		(20,011)	(323)	(20,334)	(19,529)	(96)	(19,625)
Other operating charges		(12,974)	210	(12,764)	(11,099)	(93)	(11,192)
Operating expenses		(32,985)	(113)	(33,098)	(30,628)	(189)	(30,817)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		977	(113)	864	737	(189)	548
Depreciation of property, plant and equipment	11	(172)	-	(172)	(173)	-	(173)
Amortisation of other intangible assets	11	(49)	-	(49)	(258)	-	(258)
Operating profit		756	(113)	643	306	(189)	117
Finance costs		(84)	-	(84)	(84)	-	(84)
Finance income		21	-	21	39	-	39
Profit before taxation		693	(113)	580	261	(189)	72
Taxation	5	(174)	23	(151)	(67)	24	(43)
Profit after taxation from Continuing operations		519	(90)	429	194	(165)	29
Loss for the period from Discontinued operations	7	(1,734)	-	(1,734)	(2)	-	(2)
(Loss) / profit for the financial period		(1,215)	(90)	(1,305)	192	(165)	27
(Loss) / profit attributable to:							
Owners of the Parent		(1,332)	(90)	(1,422)	78	(165)	(87)
Non - Controlling interests		117	-	117	114	-	114
		(1,215)	(90)	(1,305)	192	(165)	27
Earnings / (loss) per share from Continuing operations							
Basic and diluted earnings per share	8	1.3p	(0.3p)	1.0p	0.3p	(0.6p)	(0.3p)
Adjusted and diluted earnings per share	8	1.3p	(0.3p)	1.0p	0.8p	(0.6p)	0.2p
(Loss) / earnings per share from Continuing and Discontinued operations							
Basic and diluted earnings per share	8	(4.3p)	(0.3p)	(4.6p)	0.3p	(0.6p)	(0.3p)
Adjusted and diluted earnings per share	8	(4.3p)	(0.3p)	(4.6p)	0.8p	(0.6p)	0.2p

Consolidated Statement of Comprehensive Income	Unaudited Six months to 31 December 2013 £'000	Unaudited Six months to 31 December 2012 £'000
(Loss) / profit for the financial period (see above)	(1,305)	27
Other comprehensive (loss) / income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustments	(912)	(132)
Employee Benefit Trust profit / (loss)	12	(13)
Change in valuation of own shares held by Employee Benefit Trust	(12)	24
Total of items that may be reclassified subsequently to profit or loss	(912)	(121)
Other comprehensive loss for the period, net of tax:	(912)	(121)
Total comprehensive loss for the period	(2,217)	(94)
Total comprehensive loss attributable to:		
Owners of the Parent	(1,990)	(167)
Non - controlling interest	(227)	73
	(2,217)	(94)
Total comprehensive loss attributable to Owners of the Parent arising from:		
Continuing operations	(256)	(165)
Discontinued operations	(1,734)	(2)
	(1,990)	(167)

Consolidated Balance Sheet
as at 31 December 2013

	Notes	**Unaudited As at 31 December 2013 £'000**	Unaudited As at 31 December 2012 £'000	Audited As at 30 June 2013 £'000
ASSETS				
Non - current assets				
Goodwill	10	**16,098**	17,038	16,713
Other intangible assets	11	**117**	229	146
Property, plant and equipment	11	**2,498**	2,358	2,435
Loan and receivables		**10**	10	10
Deferred taxation asset		**1,335**	1,060	1,316
		20,058	20,695	20,620
Current assets				
Trade and other receivables	12	**31,121**	33,027	32,138
Cash at bank		**3,983**	2,657	3,189
		35,104	35,684	35,327
Total assets		**55,162**	56,379	55,947
LIABILITIES				
Current liabilities				
Trade and other payables		**(20,912)**	(18,828)	(19,543)
Financial liabilities - borrowings	13	**(1,370)**	(990)	(829)
Current taxation liability		**-**	-	-
		(22,282)	(19,818)	(20,372)
Non - current liabilities				
Financial liabilities - borrowings	13	**(1,024)**	(1,459)	(1,244)
Provisions	14	**(1,678)**	(1,659)	(1,545)
		(2,702)	(3,118)	(2,789)
Total liabilities		**(24,984)**	(22,936)	(23,161)
Net assets		**30,178**	33,443	32,786
SHAREHOLDERS' EQUITY				
Share capital	15	**3,076**	3,076	3,076
Share premium reserve		**11,881**	11,881	11,881
Merger reserve	16	**3,144**	3,144	3,144
Revaluation reserve		**598**	594	598
Retained earnings		**10,365**	12,774	12,447
		29,064	31,469	31,146
Non - Controlling interests		**1,114**	1,974	1,640
Total equity		**30,178**	33,443	32,786

Consolidated Cash Flow Statement

for the six months ended 31 December 2013

	Notes	**Unaudited Six months to 31 December 2013 £'000**		Unaudited Six months to 31 December 2012 £'000
Cash flows from operating activities				
Continuing operations:				
Cash generated from / (used in) operations	17a	**2,054**		**(379)**
Interest paid		**(84)**		**(84)**
Interest received		**21**		**39**
Taxation (paid) / received		**(50)**		**10**
Discontinued operations	7	**(624)**		**22**
Net cash from / (used in) operating activities		**1,317**		**(392)**
Cash flows from investing activities				
Continuing operations:				
Purchase of property, plant and equipment (PPE) and other intangible assets		**(312)**		**(248)**
Net proceeds from sale of PPE and other intangible assets		**7**		**13**
Discontinued operations	7	**-**		**(1)**
Net cash (used in) investing activities		**(305)**		**(236)**
Cash flows from financing activities				
Continuing operations:				
Repayment of borrowing		**(213)**		**(207)**
Repayments on finance leases		**-**		**(16)**
Equity dividends paid to Non - Controlling Interests		**(299)**		**-**
Discontinued operations	7	**-**		**-**
Net cash (used in) financing activities		**(512)**		**(223)**
Net increase / (decrease) in cash, cash equivalents and bank overdrafts		**500**		**(851)**
Cash, cash equivalents and bank overdrafts at start of period		**2,788**		**2,998**
Exchange rate losses		**(240)**		**(47)**
Cash and cash equivalents at end of period	17b	**3,048**		**2,100**

Consolidated Statement of Changes in Equity (Unaudited)
as at 31 December 2013

	Attributable to the Owners of the Parent							
	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Revaluation Reserve £'000	Retained earnings £'000	**Total £'000**	Non - Controlling Interests £'000	**Total equity £'000**
Balance at 1 July 2012	**3,076**	**11,881**	**3,144**	**594**	**13,002**	**31,697**	**1,901**	**33,598**
Currency translation adjustments	-	-	-	-	(91)	**(91)**	(41)	**(132)**
Change in valuation of own shares held by Employee Benefit Trust	-	-	-	-	24	**24**	-	**24**
Employee Benefit Trust Loss	-	-	-	-	(13)	**(13)**	-	**(13)**
Other comprehensive income	-	-	-	-	(80)	**(80)**	(41)	**(121)**
(Loss) / profit for the financial period	-	-	-	-	(87)	**(87)**	114	**27**
Total comprehensive income	-	-	-	-	(167)	**(167)**	73	**(94)**
Dividend	-	-	-	-	(61)	**(61)**	-	**(61)**
Balance at 31 December 2012	**3,076**	**11,881**	**3,144**	**594**	**12,774**	**31,469**	**1,974**	**33,443**
Currency translation adjustments	-	-	-	-	(231)	**(231)**	(228)	**(459)**
Change in UK tax rate on deferred taxation	-	-	-	4	-	**4**	-	**4**
Change in valuation of own shares held by Employee Benefit Trust	-	-	-	-	(20)	**(20)**	-	**(20)**
Employee Benefit Trust Profit	-	-	-	-	9	**9**	-	**9**
Other comprehensive income	-	-	-	4	(242)	**(238)**	(228)	**(466)**
(Loss) / profit for the financial period	-	-	-	-	(24)	**(24)**	266	**242**
Total comprehensive income	-	-	-	4	(266)	**(262)**	38	**(224)**
Dividend	-	-	-	-	(61)	**(61)**	(372)	**(433)**
Balance at 30 June 2013	**3,076**	**11,881**	**3,144**	**598**	**12,447**	**31,146**	**1,640**	**32,786**
Currency translation adjustments	-	-	-	-	(568)	**(568)**	(344)	**(912)**
Change in valuation of own shares held by Employee Benefit Trust	-	-	-	-	(12)	**(12)**	-	**(12)**
Employee Benefit Trust profit	-	-	-	-	12	**12**	-	**12**
Other comprehensive income	-	-	-	-	(568)	**(568)**	(344)	**(912)**
Loss for the financial period	-	-	-	-	(1,422)	**(1,422)**	117	**(1,305)**
Total comprehensive income	-	-	-	-	(1,990)	**(1,990)**	(227)	**(2,217)**
Dividend	-	-	-	-	(92)	**(92)**	(299)	**(391)**
Balance at 31 December 2013	**3,076**	**11,881**	**3,144**	**598**	**10,365**	**29,064**	**1,114**	**30,178**

Notes to Financial Information for the six months ended 31 December 2013

1. General information

The Company is a public limited 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 unaudited Half - Yearly Financial Report was approved for issue on 28 February 2014.

This unaudited Half - Yearly Financial Report does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2013 were approved by the Board of Directors on 1 November 2013 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

This Half - Yearly Financial Report has been reviewed but not audited.

2. Basis of preparation

This unaudited Half – Yearly Financial Report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU).This Half - Yearly Financial Report should be read in conjunction with the Annual Report and Financial Statement for the year ended 30 June 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU with the exception of the following standards which have been adopted in this half - year report.

The following standards, amendments to standards and interpretations are effective in the current financial year but have had no material impact on the Group's consolidated financial information:

- Amendment to IAS 12 "Income Taxes" on deferred tax (effective 1 January 2012) (endorsed 1 January 2013)
- IFRS 13 "Fair value measurement" (effective 1 January 2013)
- IAS 19 (revised 2011) "Employee benefits" (effective 1 January 2013)
- Amendments to IFRS 7 on Financial instruments asset and liability offsetting (effective 1 January 2013)
- Annual improvements 2011 (effective 1 January 2013)

The unaudited Half - Yearly Financial Report has been prepared in accordance with IFRS as adopted by the EU and those parts of the Companies Act 2006 related to reporting under IFRS that the directors expect to be applicable as at 30 June 2014. 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. There has been no change to the basis of these estimates since the previous year end.

3. Accounting policies

The accounting policies adopted are consistent with those of the Annual Financial Statements for the year ended 30 June 2013, as described in those Annual Financial Statements, with the addition of the following policy:

Discontinued operations – cash flows and operations that relate to a separate major line of business or geographical region that has been disposed of are shown separately from Continuing operations. Prior year comparative figures will be restated to present financial information on a consistent basis.

4. Segmental information

The losses incurred by the Discontinued operations are reported separately in the Consolidated Income Statement below Profit for the financial period (see Note 7). The segmental information for the comparative period has been restated onto the same basis as the current period. The results for operations in the United Arab Emirates were previously reported in the International multi-disciplinary segment.

Six months ended 31 December 2013 Consolidated Income Statement	Building services £ '000	Civil and transportation £ '000	Energy, environment and design £ '000	Structures £ '000	International multi-disciplinary £ '000	Total £'000
Revenue - total	3,679	14,163	4,238	9,936	5,754	37,770
Revenue- internal	(134)	(310)	(229)	(2,899)	(236)	(3,808)
Revenue	**3,545**	**13,853**	**4,009**	**7,037**	**5,518**	**33,962**
EBITDA pre - exceptional items	**250**	**(508)**	**339**	**692**	**204**	**977**
Depreciation and amortisation on computer software	(21)	(75)	(29)	(35)	(54)	(214)
Operating profit / (loss) pre - exceptional items and amortisation on acquired intangible assets	**229**	**(583)**	**310**	**657**	**150**	**763**
Amortisation on acquired intangible assets	(7)	-	-	-	-	(7)
Allocated exceptional items	(3)	(147)	(3)	(9)	49	(113)
Operating profit post exceptional items	**219**	**(730)**	**307**	**648**	**199**	**643**
Net finance costs						(63)
Profit before taxation						**580**
Taxation						(151)
Profit for the financial period						**429**
Discontinued operations (Note 7)						(1,734)
Loss for the financial period						**(1,305)**
Profit attributable to Non - Controlling Interests						117
Profit attributable to the Owners of the Parent						(1,422)

Six months ended 31 December 2012 Consolidated Income Statement	Building Services (restated) £ '000	Civil and transportation (restated) £ '000	Energy, environment and design (restated) £ '000	Structures (restated) £ '000	International multi-disciplinary (restated) £ '000	Total (restated) £'000
Revenue - total	2,605	14,990	3,705	7,020	7,613	35,933
Revenue - internal	(118)	(2,446)	(392)	(1,272)	(340)	(4,568)
Revenue	**2,487**	**12,544**	**3,313**	**5,748**	**7,273**	**31,365**
EBITDA pre - exceptional items	**38**	**(50)**	**302**	**573**	**(126)**	**737**
Depreciation and amortisation on computer software	(19)	(89)	(28)	(31)	(57)	(224)
Operating profit / (loss) pre - exceptional items and amortisation on acquired intangible assets	**19**	**(139)**	**274**	**542**	**(183)**	**513**
Amortisation on acquired intangible assets	(18)	(137)	-	-	(52)	(207)
Allocated exceptional items	-	21	(9)	-	(201)	(189)
Operating profit post exceptional items	**1**	**(255)**	**265**	**542**	**(436)**	**117**
Net finance costs						(45)
Profit before taxation						**72**
Taxation						(43)
Profit after tax from Continuing operations						**29**
Discontinued operations (Note 7)						(2)
Profit for the financial period						**27**
Profit attributable to Non - Controlling Interests						114
Loss attributable to the Owners of the Parent						(87)

5. Taxation

The taxation charge, pre-exceptional items, for the 6 months to 31 December 2013 is calculated at 25% of the profit before tax, being the estimated effective rate for the period (2012: 26%). The estimated total tax charge of £174,000 consists of a current tax charge of £228,000 and a deferred tax credit of £54,000. After including exceptional items, the effective tax rate for the period is 26% (2012: 60%).

The effective tax rate for the period is higher than the UK corporation tax rate for the period of 22.5% due to the mix of profits between the different Group companies and jurisdictions in which they operate.

6. Exceptional Items

	31 December 2013 £'000	31 December 2012 £'000
Employee benefits expense		
Other restructuring costs	**323**	96
Other operating charges		
Property provisions and accruals	**-**	12
Work in progress and trade receivables provisions	**(210)**	81
	(210)	93
Taxation	**(23)**	(24)
Total exceptional items	**90**	165

a) **Other restructuring costs**: Relates mainly to costs resulting from the restructuring of the Board (2012: redundancy costs resulting from the closure of operations in China, Kazakhstan and Queensland, Australia).

b) **Work in progress and trade receivables provisions**: Certain doubtful debts which were written off in prior periods as Exceptional items have been written back following payment in the current period (2012: provisions against balances in China and Kazakhstan resulting from the closure of these operations).

7. Discontinued operations

In July 2013, the Group decided to wind down its operations and discontinue trading in the United Arab Emirates (UAE). By 31 December 2013, all revenue generating activities in the UAE had ceased and the operations have been classified as discontinued.

The Consolidated Income Statement and Consolidated Cash Flow Statement report Continuing operations and Discontinued operations separately. Comparative figures have been restated. The results for the Discontinued operations, which have been included in the Consolidated Statement of Comprehensive Income, were as follows:

	31 December 2013 £'000	31 December 2012 £'000
Revenue	**486**	2,036
Expenses	**(2,220)**	(2,038)
Loss before tax	**(1,734)**	(2)
Taxation	**-**	-
Loss after tax from Discontinued operation	**(1,734)**	(2)

A net cash outflow of £624,000 (2012: inflow of £21,000) resulted from the Discontinued operation during the period.

8. Earnings per share

The basic and fully diluted earnings per share has been calculated on the profit attributable to shareholders in the Parent Company and based on the weighted average of 30,650,824 shares in issue during the period and ranking for dividend (31 December 2012: 30,556,991). The fully diluted earnings per share calculation is the same as there are no dilutive share options in issue as at 31 December 2013.

Earnings / (loss) from Continuing operations	**31 December 2013 £'000**	31 December 2012 £'000
Profit / (loss) attributable to the Owners of the Parent	**312**	(85)
Exceptional items	**90**	165
Amortisation of acquired intangibles after tax	**5**	158
Earnings for the purposes of adjusted EPS	**407**	238
Basic and diluted EPS	**1.0p**	(0.3p)
Adjusted and diluted EPS	**1.3p**	0.8p

(Loss) / earnings from Continuing and Discontinued operations	**31 December 2013 £'000**	31 December 2012 £'000
Loss attributable to the Owners of the Parent	**(1,422)**	(87)
Exceptional items	**90**	165
Amortisation of acquired intangibles after tax	**7**	158
Earnings for the purposes of adjusted EPS	**(1,325)**	236
Basic and diluted EPS	**(4.6p)**	(0.3p)
Adjusted and diluted EPS	**(4.3p)**	0.8p

9. Dividends

The directors propose an interim dividend of 0.4p per share (31 December 2012: 0.2p per share). The shares will become ex-dividend on 19 March 2014 and the dividend will be paid on 18 April 2014 to shareholders on the register at the close of business on 21 March 2014.

The final dividend for the year ended 30 June 2013 of 0.3p per share was paid on 10 January 2014 to shareholders on the register at 13 December 2013.

	Unaudited Six months to 31 December 2013 £'000	Unaudited Six months to 31 December 2012 £'000
Dividends charged to equity in the period	**92**	61
Dividend per ordinary share paid in period	**0.0p**	0.0p
Dividend per ordinary share proposed in period	**0.3p**	0.2p

10. Goodwill

	31 December 2013 £'000	31 December 2012 £'000
Cost at 1 July	**17,207**	17,604
Exchange rate adjustments	**(514)**	(72)
Goodwill in respect of Discontinued operations	**(101)**	-
At 31 December	**16,592**	17,532
Impairment at 1 July and 31 December	**(494)**	(494)
Net book amount	**16,098**	17,038

An impairment charge has been incurred to write off the goodwill balance following the discontinuance of operations in the United Arab Emirates.

11. Capital expenditure

	PPE and Other intangible assets 31 December 2013 £'000	PPE and Other intangible assets 31 December 2012 £'000
Opening net book amount at 1 July	**2,581**	2,800
Additions	**312**	249
Disposals	**(3)**	(13)
Exchange rate adjustments	**(26)**	6
Depreciation in respect of Discontinued operations	**(28)**	(24)
Depreciation and amortisation	**(221)**	(431)
Closing net book amount at 31 December	**2,615**	2,587

12. Trade and other receivables

As of 31 December 2013, trade receivables, net of provisions were £17.8m (31 December 2012: £17.6m and 30 June 2013: £18.4m) of which £12.2m (31 December 2012: £11.0m and 30 June 2013: £9.5m) 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.

13. Financial liabilities – borrowings

	31 December 2013 £'000	31 December 2012 £'000	30 June 2013 £'000
Current			
Drawdown on invoice discounting facility	**935**	557	401
Bank loans	**435**	421	428
Finance leases	**-**	12	-
	1,370	990	829
Non - current			
Bank loans	**1,024**	1,459	1,244
Finance leases	**-**	-	-
	1,024	1,459	1,244
Total	**2,394**	2,449	2,073

At 31 December 2013, the Group has a term loan of £1.5m (31 December 2012: £1.9m and 30 June 2013: £1.7m) which is subject to three financial covenants which are tested half - yearly (Note 19).

14. Provisions

	Liability Insurance £'000	Property provisions £'000	**2013 £'000**	Liability Insurance £'000	Property provisions £'000	2012 £'000
1 July	1,367	178	**1,545**	1,243	533	1,776
Charged to the Consolidated Income Statement	250	-	**250**	360	-	360
Utilised	(24)	(64)	**(88)**	(21)	(210)	(231)
Released to the Consolidated Income Statement	-	-	**-**	(258)	-	(258)
Exchange rate adjustments	(29)	-	**(29)**	12	-	12
Discount	-	-	**-**	-	-	-
31 December	1,564	114	**1,678**	1,336	323	1,659

The provisions represent management's best estimate of costs to be incurred in respect of potential liability insurance claims and property provisions.

15. Share capital

The share capital of the Company comprises ordinary shares of 10p each. No new shares were issued during the current or comparative period.

Six months ended 31 December 2013 and Six months ended 31 December 2012	Issued and Fully Paid	
	Number '000	£'000
At 1 July and at 31 December	30,759	3,076

16. Merger reserve

The merger reserve represents the value received in excess of nominal value for shares issued pursuant to business combinations where company law prohibits the recording of a premium. Included within the profit and loss reserve balance brought forward is an amount of £1,133,000 (2012: £1,133,000) relating to the write off of purchased goodwill prior to the transition to IFRS.

17. 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 2013 £'000	Unaudited Six months to 31 December 2012 £'000
Profit for the financial period from Continuing operations	**429**	29
Taxation	**151**	43
Interest payable	**84**	84
Interest receivable	**(21)**	(39)
Amortisation of other intangible assets	**49**	258
Depreciation	**172**	173
(Profit) on disposal of PPE and other intangible assets	**(4)**	-
Changes in working capital		
(Increase) in Trade and other receivables	**(272)**	(381)
Increase / (decrease) in Trade and other payables	**1,311**	(417)
Increase / (decrease) in Provisions	**155**	(129)
Cash generated from / (used in) Continuing operations	**2,054**	(379)

b) Analysis of net funds

	31 December 2012 £'000	30 June 2013 £'000	Cash flow £'000	Other non - cash changes £'000	Exchange movements £'000	**31 December 2013 £'000**
Cash at bank	2,657	3,189	1,034	-	(240)	**3,983**
Drawdown on invoice discounting facility	(557)	(401)	(534)	-	-	**(935)**
Cash and cash equivalents	2,100	2,788	500	-	(240)	**3,048**
Current						
Bank loans	(421)	(428)	213	(220)	-	**(435)**
Finance leases	(12)	-	-	-	-	**-**
Non - current						
Bank loans	(1,459)	(1,244)	-	220	-	**(1,024)**
Finance leases	-	-	-	-	-	**-**
Net funds	208	1,116	713	-	(240)	**1,589**

18. Related party transactions

There have been no significant changes in the related party transactions described in the Waterman Group plc Financial Statements for the year ended 30 June 2013 that could have a material effect on the financial position or performance of Waterman Group plc in the six month period ended 31 December 2013.

19. 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 Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Statement and Notes.

The directors have prepared a cash flow forecast and a forecast for covenant compliance to June 2015. The financial covenants allow for a sensible tolerance in trading performance in relation to the forecasts. The directors are confident that the underlying forecasts are reasonable. The Group is reliant on the ability of customers to pay debts and on the timing of projects coming on line. In adverse trading circumstances the Board has a number of mitigating actions it could take to ensure covenant compliance.

In addition the Group has considerable financial resources together with long term contracts and relationships 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 in the future.

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. For this reason, they continue to adopt the going concern basis in preparing the Interim Report and Financial Statement.

20. Principal risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group remain broadly the same as at 30 June 2013. These risks and uncertainties are expected to be unchanged for the next six months and are disclosed and described within the Corporate Governance Report of the Waterman Group plc Annual Report and Financial Statement 2013.

21. Post Balance Sheet Event

In January 2014, the Group decided to close its Russian operation. In the financial year to 30 June 2014, the Group anticipates that it will incur a loss from Discontinued operations for Moscow of around £1.9m with a cash outflow of around £1.3m after anticipated costs associated with the orderly wind down of operations and financial settlements in respect to debtors and work in progress.

22. Further information

Copies of the Interim Report 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 2013 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.

Statement of Directors' Responsibilities

The directors confirm that this unaudited set of Financial Statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Interim 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 2013. 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
28 February 2014