WATERMAN GROUP PLC

Interim Results Announcement for the Six Months to 31 December 2012

REBUILDING FOR THE FUTURE IN CHALLENGING MARKETS

Waterman Group plc, the international engineering and environmental consultancy, today announces its interim results for the six months to 31 December 2012.

Financial Highlights	**Note**	**HY13 unaudited**	HY12 unaudited
• Revenue		**£33.4m**	£36.0m
• Earnings before interest, tax, depreciation, amortisation and exceptional items		**£0.8m**	£1.2m
• Profit before tax, amortisation and exceptional items		**£0.5m**	£0.5m
• Amortisation of acquired intangible assets		**(£0.2m)**	(£0.2m)
• Exceptional items	**1**	**(£0.2m)**	£2.5m
• Profit before tax		**£0.1m**	£2.8m
• Interim dividend per share		**0.2p**	0.1p

Note

1. In 2011 there was an exceptional profit of £2.5m generated from the sale and leaseback of the London head office occupied by the Group less other property, PPE and restructuring costs.

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

"Underlying operating profit before exceptional items and tax is in line with the previous year and reflects the current competitive environment."

"Our overseas operations have experienced mixed trading conditions with the Australian economy slowing down and challenging markets continuing in Ireland, Russia and the UAE."

"The UK is the engine of the Group and generates over 70% of Group revenue. Our London based property clients are actively engaging Waterman to provide services on projects both in London and throughout the UK regions. Many of these commissions are for early-cycle due diligence and planning services, but future design commissions should follow as these developments move forward as tenant demand and funding is more forthcoming."

"Our continuing success in rebuilding our pipeline of future property prospects gives us cause for cautious optimism and this has been reflected in the increased interim dividend."

-ends-

Date: 28 February 2013

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INTERIM MANAGEMENT REPORT

Trading conditions for Waterman Group in the first half of the financial year have generally been in line with our expectations. Overall revenue increased by 2% compared to the six months to 30 June 2012 and fee levels have reflected the current competitive environment.

During 2012, we have witnessed increased activity in the property sector by UK developers and several of our engineering and environmental businesses are recruiting again.

As anticipated, our businesses in Australia have experienced a fall in new commissions due to the early effects of a potential slowdown in the local economy.

Following a review of future prospects earlier in the year, we have completed the planned withdrawal from China. A one off charge associated with the closure of £0.2m has been taken as an exceptional item and an additional trading loss of £0.1m has been included within the operating profit.

It is pleasing to report that we have won a number of new projects in recent months spread across the Group’s operations including the following instructions:-

- Structural design of the 1,000,000 (gross) sq ft new UK headquarters for Google UK Ltd at King’s Cross, London.
- In the public sector, engineering support to Westminster City Council on the flagship redevelopment of the existing housing estate at Tollgate Gardens, London.
- Civil engineering design services to RES for their 9.2MW Woolley Hill Wind Farm near Huntingdon which, when complete, will be able to generate enough clean, green electricity each year to meet the average needs of more than 7,000 homes.
- In Russia, building services and structural design for the Apart-Hotel in Moscow providing 370,000 sq ft of serviced apartments and hotel rooms.
- In Australia, technical advisors to the Victorian State Government for all engineering services on the new AUD 400m, 500 bed, Ravenhall Prison in Melbourne.

Results

In the six months to 31 December 2012, Waterman Group achieved revenue of £33.4m (2011: £36.0m) which compares to a revenue of £32.8m in the second half of the previous financial year. The adjusted profit before tax and exceptional items is £0.5m (2011: £0.5m). The adjusted profit excludes £0.2m (2011: £0.2m) for amortisation of acquired intangible assets.

Net funds at 31 December 2012 were £0.2m with an outflow of cash of £0.6m over the last six months mainly as a result of the timing of contract payments in the last quarter of 2012. This cash outflow has been reversed during January 2013.

Strategy

We have entered the third phase of our strategy which is to restore growth within our business in our core markets and geographies and in new sectors where we can generate profitable opportunities and commissions.

We are currently increasing our pipeline of future prospects, particularly from our London property clients. Whilst at this early-cycle stage these projects do not generate significant fees, the increased client activity in the commercial, retail and residential development markets gives us cause for cautious optimism.

Our UK structural, environmental and building services businesses are currently recruiting additional staff at all levels to ensure that we have sufficient resources to meet future demand from the property sector, particularly from our blue chip clients.

Overseas, our offices are now consolidated into Australia, UAE, Russia and Ireland, a footprint from which we are comfortable to develop our overseas business. We have restructured our London international operations so that in future we will be leveraging existing relationships and expertise within our structural, environmental, building services and civil transportation centres of excellence to generate opportunities on overseas projects.

Business Review - UK

The UK operations which provided 72% of Group revenue have seen a growth of 2% over the last six months. Our planning team which is involved in the preparation of environmental impact assessments has been very busy, particularly on projects within Greater London.

In London, we are currently working on many commercial projects which are in the construction phase for clients such as Land Securities, Stanhope, Helical Bar, British Land and The Crown Estate. In the residential sector, we are actively engaged on developments with Argent, Native Land, Grosvenor, Barratt Homes, Berkeley, Mount Anvil and Taylor Wimpey. In the retail sector, we have experienced an increase in due diligence activities and planning work on projects in London and in the UK regions for Capital Shopping Centres, Hammerson, Capco, Aviva, Lend Lease and Tesco.

Outside London, our work is more varied. We are providing engineering advice on many single rural wind turbines and large wind farms and continue to support Scottish and Southern Energy on their electrification upgrade for future renewable energy generation in Scotland. We are actively involved in six secondary schools in the Midlands and North West regions as well as student accommodation and leisure projects. The 1,000,000 sq ft Trinity Leeds retail project designed by Waterman for Land Securities opens for trading before Easter this year.

We have provided vendor due diligence support at Newcastle International Airport which has resulted in direct investment by AMP Capital. We have recently completed a major data centre for Amex at Brighton and we continue to provide engineering support to the Aspire PFI at Salisbury Plain for the Ministry of Defence.

We have increased our fee income from recently secured long term public sector frameworks. Our secondment business has expanded the number of councils serviced to include Nottingham, Leicester, Derby City, Milton Keynes and county councils in Nottinghamshire, Leicestershire, Derbyshire and Staffordshire. Although public sector budgets remain tight by historical standards, there has been a noticeable upturn in spending since April 2012. A shortage of skilled professional and technical resources in-house has led to an increased demand for our services.

Business Review - overseas

Waterman's overseas operations are now focused on Australia, CIS, Europe and the Middle East.

Australia is our largest operation outside the UK and generates 14% of our revenue. During the period, we have experienced a slowdown in new projects commencing both in the public and private sectors. We continue to provide building services advice on several new hospitals such as the Royal Victorian Eye and Ear Hospital in Melbourne and the Albury Regional Hospital Cancer Centre. Our Sydney office is actively involved in designs associated with the roll out of the National Broadband Network infrastructure and fibre cabling. A notable recent project win is the lead consultant role on the dismantling of the above ground monorail system around Sydney.

In the Middle East, we have focused on specific markets and are winning new commissions for the design of retail and leisure developments and data centres.

The Waterman team in our Moscow office has been working on the construction designs and drawings for two large commercial and residential developments in the centre of the city.

In Ireland, we have been appointed for the design of a new prototype 1,000 pupil second level college for the Irish Department of Education and Skills. Over the last few years, there has been a reduction in the number of large consulting engineering companies practising in Ireland which will benefit Waterman in the future as work is commissioned by NAMA and private and public sector clients.

People

Ric Piper joined the Board on 15 January 2013 as a Non-Executive director. John Archibald has stepped down as Senior Independent Director and leaves the Board today following the announcement of the Group's interim results. Ric has been confirmed as Senior Independent Director and Chairman of the Audit and Risk Committee with immediate effect.

I thank John for his valuable contribution to Waterman over the last ten years.

Dividend

The basic earnings per share is a loss of 0.3p (2011: profit of 7.4p). The prior period basic earnings per share was enhanced by the exceptional profit from the sale and leaseback of the London head office. The adjusted earnings per share before amortisation of acquired intangible assets and exceptional items is a profit of 0.8p (2011: loss of 1.2p).

Reflecting our cautious optimism that there are early signs of recovery in our core UK markets, the Board has decided to increase the interim dividend to 0.2p per share (2011: 0.1p) payable on 19 April 2013 to shareholders on the register on 22 March 2013.

Looking forward, the Board's policy will be to set dividend payments at a level which they judge to be sustainable in the context of Group profits and future cash generation.

Outlook

The markets and geographies within which Waterman operates continue to suffer from economic funding constraints and subdued end user demand. There are however positive signs for the future with increasing levels of enquiries, especially from our core London property client base. As a result, the Board looks to the future with cautious optimism.

Our operations in the UK generate a significant proportion of the Group's revenue. We are currently being appointed for pre-acquisition due diligence studies and planning work for developments which will place Waterman in a good position for future commissions as these projects move to construction. London remains a very strong market for Waterman and our long standing client relationships continue to assist us in securing future work.

Overseas, there is some concern about a potential slowdown in the Australian economy and a reduction in public and private sector investment in development. In the UAE, we have experienced an increase in the number of developments moving forward. We have enhanced our specialist data centre team in Dubai and they are currently advising on projects in Abu Dhabi, Dubai, Oman and Mauritius. Our businesses in Ireland and Russia continue to operate in a competitive environment.

Waterman retains its strong brand and our loyal and experienced employees are our key asset. The recent consolidation of engineering consultants in the UK has created opportunities for the Group to win greater market share as our private property sector clients recognise Waterman's niche market position and provision of a high quality service.

On behalf of the Board, I would like to express our appreciation to all our shareholders, clients and staff for their continued support.

Roger Fidgen
Chairman
28 February 2013

Independent Review Report to Waterman Group plc
for the six months ended 31 December 2012
Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial information for the six months ended 31 December 2012, 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 Notes to Financial Information. We have read the other information contained in the half-yearly financial information 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 information is the responsibility of, and has been approved, by the directors. The directors are responsible for preparing the half-yearly financial information in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial information 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 information based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial information for the six months ended 31 December 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
1 Embankment Place
London
WC2N 6RH
28 February 2013

Consolidated Income Statement for the six months ended 31 December 2012							
	notes	**Pre-exceptional items £'000**	**Exceptional items (note 6) £'000**	**Unaudited Six months to 31 December 2012 £'000**	Pre-exceptional items £'000	Exceptional items (note 6) £'000	Unaudited Six months to 31 December 2011 £'000
Revenue	4	**33,401**	**-**	**33,401**	36,017	-	36,017
Employee benefits expense		**(20,681)**	**(96)**	**(20,777)**	(21,981)	(456)	(22,437)
Other operating charges		**(11,961)**	**(93)**	**(12,054)**	(12,859)	3,313	(9,546)
Operating expenses		**(32,642)**	**(189)**	**(32,831)**	(34,840)	2,857	(31,983)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**759**	**(189)**	**570**	1,177	2,857	4,034
Depreciation of property, plant and equipment	9	**(197)**	**-**	**(197)**	(419)	(54)	(473)
Amortisation of other intangible assets	9	**(258)**	**-**	**(258)**	(300)	-	(300)
Operating profit		**304**	**(189)**	**115**	458	2,803	3,261
Finance costs		**(84)**	**-**	**(84)**	(244)	(284)	(528)
Finance income		**39**	**-**	**39**	50	-	50
Profit before taxation		**259**	**(189)**	**70**	264	2,519	2,783
Taxation	5	**(67)**	**24**	**(43)**	(501)	269	(232)
Profit / (loss) for the financial period (see below)		**192**	**(165)**	**27**	(237)	2,788	2,551
Profit / (loss) attributable to – Owners of the parent		**78**	**(165)**	**(87)**	(541)	2,788	2,247
Profit attributable to – Non-controlling interest		**114**	**-**	**114**	304	-	304
		192	**(165)**	**27**	(237)	2,788	2,551
Basic earnings / (loss) per share	7	**0.2p**	**(0.5p)**	**(0.3p)**	(1.8p)	9.2p	7.4p
Diluted earnings / (loss) per share	7	**0.2p**	**(0.5p)**	**(0.3p)**	(1.8p)	9.2p	7.4p

	Unaudited Six months to 31 December 2012 £'000	Unaudited Six months to 31 December 2011 £'000
Profit for the period (see above)	**27**	2,551
Other comprehensive expense :		
Currency translation adjustments	**(132)**	(13)
Employee Benefit Trust (EBT) (Loss) / profit	**(13)**	11
Change in valuation of own shares held by EBT	**24**	(11)
Other comprehensive expense for the period :	**(121)**	(13)
Total comprehensive (expense) / income for the period	**(94)**	2,538
Total comprehensive (expense) / income attributable to – Owners of the parent	**(167)**	2,076
Total comprehensive income attributable to – Non controlling interest	**73**	462

Consolidated Balance Sheet
as at 31 December 2012

	notes	**Unaudited As at 31 December 2012 £'000**	Unaudited As at 31 December 2011 £'000	Audited As at 30 June 2012 £'000
ASSETS				
Non-current assets				
Goodwill		**17,038**	17,174	17,110
Other intangible assets	9	**229**	705	450
Property, plant and equipment	9	**2,358**	2,449	2,350
Loan and receivables		**10**	10	10
Deferred taxation asset		**1,060**	1,184	1,181
		20,695	21,522	21,101
Current assets				
Trade and other receivables	10	**33,027**	34,636	32,675
Cash at bank		**2,657**	5,845	3,977
		35,684	40,481	36,652
Total assets		**56,379**	62,003	57,753
LIABILITIES				
Current liabilities				
Trade and other payables		**(18,828)**	(20,430)	(19,285)
Financial liabilities - borrowings	11	**(990)**	(426)	(1,422)
Current taxation liability		**-**	(281)	-
		(19,818)	(21,137)	(20,707)
Non-current liabilities				
Financial liabilities - borrowings	11	**(1,459)**	(1,904)	(1,672)
Provisions	12	**(1,659)**	(2,670)	(1,776)
		(3,118)	(4,574)	(3,448)
Total liabilities		**(22,936)**	(25,711)	(24,155)
Net assets		**33,443**	36,292	33,598
SHAREHOLDERS' EQUITY				
Share capital	13	**3,076**	3,076	3,076
Share premium reserve		**11,881**	11,881	11,881
Merger reserve	14	**3,144**	3,144	3,144
Revaluation reserve		**594**	586	594
Retained earnings		**12,774**	14,912	13,002
		31,469	33,599	31,697
Non-controlling interest		**1,974**	2,693	1,901
Total equity		**33,443**	36,292	33,598

Consolidated Cash Flow Statement for the six months ended 31 December 2012				
	notes	**Unaudited Six months to 31 December 2012 £'000**		Unaudited Six months to 31 December 2011 £'000
Cash flows from operating activities				
Cash (used in) / generated from operations	15a	**(357)**		**1,833**
Interest paid		**(84)**		**(526)**
Interest received		**39**		**50**
Taxation received/(paid)		**10**		**(70)**
Net cash (used in) / from operating activities		**(392)**		**1,287**
Cash flows from investing activities				
Purchase of property, plant and equipment (PPE) and other intangible assets		**(249)**		**(149)**
Net proceeds from sale of PPE and other intangible assets		**13**		**11,525**
Net cash (used in) / from investing activities		**(236)**		**11,376**
Cash flows from financing activities				
Repayment of borrowing		**(207)**		**(7,675)**
Repayments on finance leases		**(16)**		**(23)**
Equity dividends paid to non-controlling interest		**-**		**(535)**
Net cash used in financing activities		**(223)**		**(8,233)**
Net (decrease) / increase in cash, cash equivalents and overdrafts		**(851)**		**4,430**
Cash and cash equivalents at beginning of year		**2,998**		**1,411**
Effect of exchange rate changes		**(47)**		**4**
Cash and cash equivalents at end of period	15b	**2,100**		**5,845**

Consolidated Statement of Changes in Equity (Unaudited)
as at 31 December 2012

	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 interest £'000	**Total equity £'000**
Balance at 1 July 2011	**3,076**	**11,881**	**3,144**	**600**	**12,852**	**31,553**	**2,766**	**34,319**
Currency translation adjustments	-	-	-	-	(171)	**(171)**	158	**(13)**
Reserve transfer on disposal of Land and freehold property *	-	-	-	(19)	19	**-**	-	**-**
Deferred tax transfer on disposal of Land and freehold property *	-	-	-	5	(5)	**-**	-	**-**
Change in valuation of own shares held by Employee Benefit Trust	-	-	-	-	(11)	**(11)**	-	**(11)**
Employee Benefit Trust Profit	-	-	-	-	11	**11**	-	**11**
Other comprehensive income	-	-	-	(14)	(157)	**(171)**	158	**(13)**
Profit for the financial period	-	-	-	-	2,247	**2,247**	304	**2,551**
Total comprehensive income	-	-	-	(14)	2,090	**2,076**	462	**2,538**
Dividend	-	-	-	-	(30)	**(30)**	(535)	**(565)**
Balance at 31 December 2011	**3,076**	**11,881**	**3,144**	**586**	**14,912**	**33,599**	**2,693**	**36,292**
Currency translation adjustments	-	-	-	-	460	**460**	(780)	**(320)**
Change in UK tax rate on deferred taxation	-	-	-	8	-	**8**	-	**8**
Change in valuation of own shares held by Employee Benefit Trust	-	-	-	-	(2)	**(2)**	-	**(2)**
Employee Benefit Trust Profit	-	-	-	-	2	**2**	-	**2**
Other comprehensive income	-	-	-	8	460	**468**	(780)	**(312)**
(Loss) / profit for the financial period	-	-	-	-	(2,338)	**(2,338)**	357	**(1,981)**
Total comprehensive income	-	-	-	8	(1,878)	**(1,870)**	(423)	**(2,293)**
Dividend	-	-	-	-	(32)	**(32)**	(369)	**(401)**
Balance at 30 June 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**

* Further detail on the disposal of Land and freehold property are disclosed in notes 6 and 9 to the consolidated financial information respectively.

Notes to Financial Information
for the six months ended 31 December 2012

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 condensed consolidated half-yearly financial information was approved for issue on 28 February 2013.

These interim financial results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2012 were approved by the Board of Directors on 6 November 2012 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.

2. Basis of preparation

This condensed unaudited consolidated financial information for the half year ended 31 December 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU).The half year condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2012, 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:

- IAS 1 Presentation of financial statements on OCI (Amendment, effective 01 July 2012)
- IAS 12 Amendment on income taxes on deferred tax (Amendment, effective 01 July 2012)

The condensed unaudited consolidated half yearly financial information 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 2013. 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 2012, as described in those annual financial statements.

4. Segmental information

Six months ended 31 December 2012 **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	2,620	15,088	3,727	7,067	9,697	38,199
Revenue- internal	(120)	(2,482)	(398)	(1,291)	(507)	(4,798)
Revenue	**2,500**	**12,606**	**3,329**	**5,776**	**9,190**	**33,401**
EBITDA pre exceptional items	**39**	**(48)**	**303**	**580**	**(115)**	**759**
Depreciation and amortisation on computer software	(18)	(86)	(28)	(35)	(81)	(248)
Operating profit / (loss) pre exceptional items and amortisation on acquired intangible assets	**21**	**(134)**	**275**	**545**	**(196)**	**511**
Amortisation on acquired intangible assets	(18)	(137)	-	-	(52)	(207)
Allocated exceptional items	-	21	(9)	-	(201)	(189)
Operating (loss) / profit post exceptional items	**3**	**(250)**	**266**	**545**	**(449)**	**115**
Net finance costs						(45)
Profit before taxation						**70**
Taxation						(43)
Profit for the financial period						**27**
Profit attributable to non-controlling interests						114
Loss attributable to the owners of the parent						(87)

Six months ended 31 December 2011 **Consolidated Income Statement**	Building services £ '000	Civil and transportation £ '000	Energy, environment and design £ '000	Structures £ '000	International multi-disciplinary £ '000	Unallocated £ '000	Total £'000
Revenue - total	3,309	13,550	3,562	6,408	12,642		39,471
Revenue - internal	(119)	(748)	(369)	(1,102)	(1,116)		(3,454)
Revenue	**3,190**	**12,802**	**3,193**	**5,306**	**11,526**		**36,017**
EBITDA pre exceptional items	**131**	**(121)**	**90**	**420**	**657**		**1,177**
Depreciation and amortisation on computer software	(30)	(118)	(35)	(43)	(261)		(487)
Operating profit / (loss) pre exceptional items and amortisation on acquired intangible assets	101	(239)	55	377	396		690
Amortisation on acquired intangible assets	(18)	(137)	-	-	(77)		(232)
Allocated exceptional items	(220)	(518)	(85)	(86)	(406)		(1,315)
Exceptional item-profit on sale and leaseback	-	-	-	-	-	4,118	4,118
Operating profit / (loss) post exceptional items	(137)	(894)	(30)	291	(87)	4,118	**3,261**
Net finance costs pre exceptional items							(194)
Exceptional finance costs							(284)
Profit before taxation							**2,783**
Taxation							(232)
Profit for the financial period							**2,551**
Profit attributable to non-controlling interests							304
Profit attributable to the owners of the parent							2,247

5. Taxation

The taxation charge, pre-exceptional items, for the 6 months to 31 December 2012 is calculated at 26% of the profit before tax, being the estimated effective rate for the year. The effective rate for the period is due to the mix of profits between the different Group companies and jurisdictions in which they operate.

The pre-exceptional taxation charge in the prior year relates to overseas taxation and an estimate of the availability of UK tax losses.

6. Exceptional Items

	31 December 2012 £'000	31 December 2011 £'000
Employee benefits expense		
Other restructuring costs	**96**	456
Other operating charges		
Profit on sale and leaseback of Land and freehold property	**-**	(4,118)
Property provisions and accruals	**12**	604
Work in progress and trade receivables provisions	**81**	201
	93	(3,313)
Depreciation of Property, plant and equipment		
Depreciation of PPE	**-**	54
Finance costs		
Mortgage early repayment charge	**-**	284
Taxation	**(24)**	(269)
Total exceptional items	**165**	(2,788)

a) **Restructuring costs**: Relates mainly to redundancy costs as a result of the closure of the China, Kazakhstan and Queensland operations.

b) **Profit on sale and leaseback of Land and freehold property**: On 17 November 2011, the Group disposed of its head office, Pickfords Wharf, through a sale and leaseback agreement. The property was sold for £11,914,000. A pre-tax profit of £4,118,000 was recognised on the sale, after transaction costs of £457,000.

c) **Property provisions and accruals**: At 31 December 2011, a provision of £604,000 was made as an exceptional cost in respect of leasehold charges and dilapidation costs on vacated properties or on onerous lease space. The leasehold charges are primarily made up of rent, rates and service charges payable by the Group over the remaining lease term.

d) **Work in progress and trade receivables provisions**: At 31 December 2012, a provision of £69,000 was made against work in progress balances in China and £12,000 against trade receivable balances in Kazakhstan, as a result of the closure of the respective operations.

e) **Mortgage early repayment charge**: As a result of the sale of Pickfords Wharf in November 2011, the mortgage on the property was repaid in full. An early repayment charge of £284,000 was incurred as a result of the repayment.

6. Exceptional Items (continued)

f) **Taxation:** The taxation credit of £24,000 (2011: £269,000 credit) is due to the tax deductibility of the exceptional items. The taxation credit for 2011 is due to the deductibility of the UK element of the exceptional items. UK tax losses are available to offset the capital gains tax payable on the sale of Pickfords Wharf.

7. Earnings per share

The basic and fully diluted earnings per share has been calculated on the profit attributable to shareholders and based on the weighted average of 30,556,991 shares in issue during the period and ranking for dividend (31 December 2011: 30,552,824). The fully diluted earnings per share calculation is the same as there are no dilutive share schemes in operation as at 31 December 2012.

8. Dividends

The directors propose an interim dividend of 0.2p per share (31 December 2011: 0.1p per share). The shares become ex-dividend on 20 March 2013 and the dividend will be paid on 19 April 2013 to those shareholders on the register at the close of business on 22 March 2013.

The final dividend for the year ended 30 June 2012 was paid on 11 January 2013 to all members on the shareholders register at 14 December 2012.

	Unaudited Six months to 31 December 2012 £'000	Unaudited Six months to 31 December 2011 £'000
Dividends charged to equity in the period	**61**	30
Dividend per ordinary share paid in period	**0.0p**	0.0p
Dividend per ordinary share proposed in period	**0.2p**	0.1p

9. Capital expenditure

	PPE and Other intangible assets 31 December 2012 £'000	PPE and Other intangible assets 31 December 2011 £'000
Opening net book amount at 1 July	**2,800**	11,207
Additions	**249**	149
Disposals	**(13)**	(7,410)
Exchange rate adjustments	**6**	(19)
Depreciation and amortisation	**(455)**	(773)
Closing net book amount at 31 December	**2,587**	3,154

Disposals during the prior period include £7.39m relating to the sale of Pickfords Wharf (see note 6).

10. Trade and other receivables

As of 31 December 2012, trade receivables, net of provisions were £17.6m (31 December 2011: £18.8m and 30 June 2012: £18.1m) of which £11.0m (31 December 2011: £10.8m and 30 June 2012: £8.9m) 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.

11. Financial liabilities-borrowings

	31 December 2012 £'000	31 December 2011 £'000	30 June 2012 £'000
Current			
Drawdown on invoice discounting facility	**557**	-	979
Bank loans	**421**	408	415
Finance leases	**12**	18	28
	990	426	1,422
Non-current			
Bank loans	**1,459**	1,876	1,672
Finance leases	**-**	28	-
	1,459	1,904	1,672
Total	**2,449**	2,330	3,094

At 31 December 2012, the Group has a term loan of £1.9m (31 December 2011: £2.3m and 30 June 2012: £2.1m) which is subject to three financial covenants which are tested half yearly.

Movements in financial liabilities-borrowings are analysed as follows:

	31 December 2012	31 December 2011
	£'000	£'000
Opening amount as at 1 July	**3,094**	10,029
Decrease in drawdown on invoice discounting facility	**(422)**	-
Repayment of borrowing	**(223)**	(7,696)
Exchange rate adjustments	**-**	(3)
Closing amount as at 31 December	**2,449**	2,330

As a result of the sale and leaseback of Pickfords Wharf (see note 6) the Group repaid the £3.7m mortgage on the property and £3.5m of term loans in the prior period.

12. Provisions

	Liability Insurance £'000	Property provisions £'000	**2012 £'000**	Liability Insurance £'000	Property provisions £'000	2011 £'000
01 July	1,243	533	**1,776**	2,414	233	2,647
Charged to the consolidated income statement	360	-	**360**	380	478	858
Utilised	(21)	(210)	**(231)**	(390)	(89)	(479)
Released to the consolidated income statement	(258)	-	**(258)**	(199)	-	(199)
Exchange rate adjustments	12	-	**12**	(173)	-	(173)
Discount	-	-	**-**	16	-	16
31 December	1,336	323	**1,659**	2,048	622	2,670

12. Provisions (continued)

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

13. 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 2012 and Six months ended 31 December 2011	Issued and Fully Paid	
	Number '000	£'000
At 1 July and at 31 December	30,756	3,076

14. 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 (2011: £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 (used in) / generated from operations

	Unaudited Six months to 31 December 2012 £'000	Unaudited Six months to 31 December 2011 £'000
Profit for the financial period	**27**	2,551
Taxation	**43**	232
Interest payable	**84**	528
Interest receivable	**(39)**	(50)
Amortisation of other intangible assets	**258**	300
Depreciation	**197**	473
Profit on disposal of PPE and other intangible assets	**-**	(4,118)
Changes in working capital		
(Increase) / decrease in Trade and other receivables	**(381)**	1,028
(Decrease) / increase in Trade and other payables	**(417)**	767
(Decrease) / increase in Provisions	**(129)**	122
Cash (used in) / generated from operations	**(357)**	1,833

15. Notes to the Consolidated Cash Flow Statement (continued)

b) Analysis of net funds						
	31 December 2011 £'000	30 June 2012 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**31 December 2012 £'000**
Cash at bank	5,845	3,977	(1,273)	-	(47)	**2,657**
Drawdown on invoice discounting facility	-	(979)	422	-	-	**(557)**
Cash and cash equivalents	5,845	2,998	(851)	-	(47)	**2,100**
Current						
Bank loans	(408)	(415)	207	(213)	-	**(421)**
Finance leases	(18)	(28)	16	-	-	**(12)**
Non-current						
Bank loans	(1,876)	(1,672)	-	213	-	**(1,459)**
Finance leases	(28)	-	-	-	-	**-**
	(2,330)	(2,115)	223	-	-	**(1,892)**
Net funds	3,515	883	(628)	-	(47)	**208**

16. 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 2012 that could have a material effect on the financial position or performance of Waterman Group plc in the six month period ended 31 December 2012.

17. Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Management Report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial statements and notes.

The directors have prepared a cash flow forecast and a forecast for covenant compliance to June 2014. 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. In the current economic climate the group is reliant on the ability of customers to pay debts and on the timing of projects coming on line. In adverse 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 with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim Report and financial statements.

18. Principal risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group remain broadly the same as at 30 June 2012: business environment, market conditions, profit margins, finance, foreign exchange, people and service quality. These risks and uncertainties are expected to be unchanged for the next six months and are disclosed within the Financial Review of the Waterman Group plc Annual Report and Financial Statement 2012.

19. 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 2012 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 condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Waterman Group plc are listed in the Waterman Group plc Annual Report and Financial Statement 2012. Since the publication of the Annual Report, Richard Piper has been appointed to the Board as a non-executive director on 15 January 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 2013