

## WATERMAN GROUP PLC

### Preliminary Results Announcement for the Year Ended 30 June 2012

#### CONSISTENT PERFORMANCE IN A DEMANDING MARKET

Waterman Group plc, the international engineering and environmental consultancy, today announces its preliminary results for the year ended 30 June 2012.

Financial Highlights	Note	2012	2011
• Revenue		<b>£68.8m</b>	£74.1m
• Earnings before interest, tax, depreciation and amortisation	1	<b>£2.5m</b>	£2.9m
• Profit before tax and amortisation of acquired intangible assets	2	<b>£1.1m</b>	£1.1 m
• Amortisation of acquired intangible assets		<b>(£0.5m)</b>	(£0.5m)
• Profit before tax	2	<b>£0.6m</b>	£0.6m
• Profit before tax, exceptional items and amortisation of acquired intangible assets		<b>£1.1m</b>	£1.2m
• Net funds/(debt)		<b>£0.9m</b>	(£8.6m)
• Net asset value per share		<b>109p</b>	112p
• Dividend per share		<b>0.3p</b>	0.2p

#### Notes

1. The EBITDA includes an exceptional credit of £385k (2011: £43k charge).
2. The pre tax profit includes an exceptional credit of £9k (2011: £123k charge).

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

***“ These results have been achieved against a backdrop of challenging market conditions”.***

***“ The company has been strengthened following restructuring to parts of our business and this will provide greater resilience and competitiveness”.***

***“ Our operations in the UK and Australia generate 85% of our revenue. These are mature markets where our brand strength and client relationships with our senior employees provides significant opportunities for repeat business”.***

***“ Waterman is in good health and whilst in the short term market conditions will continue to be competitive, looking further ahead we believe that there are grounds for guarded optimism based on our growing success in rebuilding our pipeline of future project assignments.”***

-ends-

Date: 8 October 2012

For further information please contact:

Waterman Group plc  
 Nick Taylor, Chief Executive  
 Alex Steele, Finance Director  
 020-7928-7888  
 web: [www.watermangroup.com](http://www.watermangroup.com)

City Profile  
 Jonathan Gillen  
 Simon Courtenay  
 020-7448-3244

## **CHAIRMAN'S STATEMENT**

The last financial year has seen a further period of consolidation for Waterman Group (the "Group") and strengthening of the business for the future.

With 70% of our revenue generated from the UK, our performance has been closely aligned with the domestic economy. During 2012, we have witnessed increased activity in the property sector by UK developers, but intense competition for available workload is constraining fees and hence margins. Against this background we have focused on re-building our long term order pipeline and have been particularly successful in the residential, retail and commercial markets from our London based clients.

Overseas, our Australian business has experienced a period of high profitability, this was however partially offset by losses in the Middle East, Russia and Kazakhstan as projects were suspended or delayed.

The sale and leaseback of Pickfords Wharf, Waterman's head office in London in November 2011 has enhanced our financial position, de-gearing the business and leaving the group with net funds of £0.9m at 30 June 2012.

### **Results**

In the year to 30 June 2012, Waterman Group achieved revenue of £68.8m (2011: £74.1m). The adjusted pre tax profit is £1.1m (2011: £1.1m) and this includes an exceptional credit of £9k (2011: £123k charge). The adjusted pre tax profit before exceptional items is £1.1m (2011: £1.2m). The adjusted pre tax profit excludes £0.5m (2011: £0.5m) for amortisation of acquired intangible assets.

As at 30 June 2012, total net assets per share were 109p (2011: 112p) and tangible net assets per share were 52p (2011: 53p).

### **Strategy**

We have progressed with our strategy to gain a greater share of our core markets from our existing clients to generate future margin and revenue growth, to target investments in new non property markets, to reduce fixed overhead costs and to reduce our exposure to markets which no longer give a prospect of a return in the short to medium term.

During the last year we have generated an increase in opportunities and appointments in the property markets and are currently working on active projects with developers and investors such as Land Securities, Hammerson, CapCo, The Crown Estate, Lend Lease, Capital Shopping Centres, Argent, Native Land, Grosvenor, Exemplar, Stanhope, Mount Anvil, Berkeley Group, CORE, Legal and General, Aviva, British Land and Henderson Global Investors. We are currently providing advice on over 2.2m square metres of future potential development.

The proceeds from the sale and leaseback of our London head office have enabled us to advance our strategy for investments in new markets and to complete several restructuring exercises to remove costs which are not generating long term value, thereby increasing our effectiveness in the markets in which we operate.

We have amalgamated our Civil and Transportation consultancy businesses in the UK to form a more focused and sustainable operation with concentrated centres of excellence. Private sector transportation opportunities remain subdued in the UK regions so we have invested in tendering for public sector frameworks to provide additional revenue to supplement our current workload. We have been successful in winning eight local authority frameworks of three or four year duration which are expected to generate annual fees of circa £2m in aggregate. In our specialist Civil and Transportation outsourcing business we have reduced the number of non productive staff which has enabled us to become more competitive and over the last six months we have witnessed an increase in the number of seconded staff to the public sector.

The management of our Building Services business has been rejuvenated with the appointment of a new generation of directors and following a period of consolidation we have been successful in winning new commissions for developments in London and the UK regions.

Overseas, in Kazakhstan and Abu Dhabi, we have significantly reduced our local presence following the suspension and delay to two major projects impacting on our profitability and cash flow. We have made an exceptional provision of £1.1m for unpaid debt and work in progress on these two projects where recoverability is in doubt following the necessary restructuring. In Kazakhstan, we have retained a minimal local presence and in Abu Dhabi we have re-focused our business on providing engineering services for medium sized developments and data centres to provide a more stable workload.

In Australia, we have recruited two new directors who are targeted to generate growth in the telecommunications, ICT and defence markets. We have successfully won commissions to provide resources associated with the Australian government's commitment to install a high speed broadband connection to 93% of homes. This significant appointment has involved staff from each of our three offices in Sydney, Melbourne and Brisbane, surveying existing telephone exchanges to accommodate the new fibre optic cabling and distribution network and carrying out designs for the necessary upgrade of the facilities.

## **People**

Our employee numbers have reduced by 9% over the last twelve months to 961 with an associated one-off charge of £1.2m being identified as an exceptional item for the year. As described above, this largely reflects the strategic decision to reduce our exposure to our UK Civil and Transportation consultancy businesses in response to subdued activity and margin pressure. In addition, we have taken steps to reduce our exposure to a drop in property related workload in the Middle East, Russia and Kazakhstan as these markets have become more uncertain.

Overall, revenue per head has improved by 11% and adjusted profit before taxation per head has improved by 35% over the last two financial years, reflecting our determination to maximise operating efficiency whilst preserving our core project delivery capability.

We have already refreshed and strengthened our operational boards by the promotion of the next generation of directors so that relationships with our clients are reinforced; and we are now in the process of reviewing the composition of the Plc Board to ensure that it too can continue to contribute effectively to Waterman's future development.

## **Property**

On 17 November 2011, the Group completed the sale and leaseback of Waterman's freehold property, Pickfords Wharf, Clink Street, London for the sum of £11.9m. Full details of the disposal were previously announced to shareholders on 18 October 2011 and the transaction was approved at the shareholder's General Meeting on 10 November 2011.

Waterman owns a commercial property of 950 square metres on the outskirts of Leeds which is occupied by Group companies. The property was last valued in 2004 in accordance with the change to IFRS accounting and the asset value included in the accounts is £1.446m.

During the year as current leases have expired on our regional offices we have negotiated better terms in new or existing premises. In addition, we have been able to reduce our office space requirements by 3,000 square metres which will lower our future cash outflow on property costs by £0.4m per annum in aggregate.

## **Earnings and Dividend**

Basic earnings per share is a loss of 0.1p (2011: profit of 0.4p) and adjusted earnings per share before amortisation of acquired intangible assets and exceptional items is a loss of 1.0p (2011: profit of 1.8p). Earnings per share reflect an unusual combination of factors, including a tax adjustment on UK profits of £270,000 following resolution of a review of tax charged in previous years, a high profit contribution (and hence minority charge) from the Group's Australian operations and tax charges on the individual exceptional items. We expect that earnings per share in future periods are likely to reflect more accurately underlying operating performance, as Group tax charges revert to something closer to the standard UK rate.

The Board is proposing to pay a final dividend of 0.2p per share (2011: 0.1p). This will be payable on 11 January 2013 to shareholders on the register on 14 December 2012. This final dividend with the interim dividend of 0.1p which was paid on 4 April 2012, makes a total dividend for the year of 0.3p (2011: 0.2p). This final dividend is in accordance with the previously declared policy intention of a one third/two thirds split between interim and final dividend.

## **Outlook**

Waterman continues to perform consistently in uncertain markets. Following the recent restructuring, the Group is able to be more competitive and is well positioned to capitalise on the opportunities that any recovery will bring.

Our operations in the UK and Australia generate 85% of our revenue. Both these markets are mature and whilst they remain competitive we continue to win our share of new opportunities from our established clients. The markets in our other overseas locations in Russia, the Middle East and Europe are less predictable and we have re-focused our efforts on certain key clients to provide more profitable workload.

Waterman has secured over 55% of forecast revenue for the current financial year which is a similar level to twelve months ago and demonstrates the Group's underlying resilience. We have recruited additional specialists in several markets such as telecommunications, data and energy as we anticipate further opportunities and growth in these areas. However, market conditions continue to act as a brake on our operating performance and we see no reason to anticipate any meaningful easing in the competitive environment in the current financial year.

Looking further ahead, we believe that there are grounds for some optimism. Waterman retains its strong brand and our loyal and experienced employees are our key asset. The strength of our client relationships will continue to assist us in securing work in the future as the economy and tenant demand start to recover. Our current workload includes a significant element of early-cycle planning work on residential, retail and commercial development projects for blue chip clients. This early involvement creates a strong pipeline of prospects where there is a high probability of further project assignments for Waterman as these projects enter the development phase in future years.

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

**Roger Fidgen**  
**Chairman**  
**8 October 2012**

## OPERATIONAL REVIEWS

Waterman operates within the UK in four segmental profit centres based on the following engineering disciplines which provide 70% of the Group revenue:-

Structures	(15% of Group revenue)
Civil and Transportation	(37% of Group revenue)
Building Services	( 9% of Group revenue)
Energy, Environment & Design	( 9% of Group revenue)

Each engineering discipline works in a range of sectors in both the private and public markets. Professional advice and designs provided by the Group range from planning consultancy such as environmental impact assessments and transportation studies through to detailed design and facilities management.

Overseas, we operate in each country as a multi-discipline business, providing a range of services to a multitude of sectors. Work is generally in the private markets although in Australia and Ireland we are also involved in the public markets.

Australia	(15% of Group revenue)
Middle East	( 8% of Group revenue)
Europe	( 3% of Group revenue)
Commonwealth of Independent States (CIS)	( 3% of Group revenue)
Other geographical areas	( 1% of Group revenue)

Overall, 62% of Group revenue is generated from the private property sector with the remainder being generated from the public sector and regulated industries.

## Structures

**Waterman's structural business has delivered another strong performance this year. Both the private and public sectors have remained subdued but results have benefited from strong, long standing relationships with clients in the commercial property sector. New projects have been secured and prospects for the long term are improving.**

**Utilisation levels are high and recruitment is planned for certain areas of the business.**

**The continued development of Building Information Modelling (BIM) and 3D software is helping to deliver greater efficiency on projects.**

## Commercial

London's commercial office sector continues to generate significant work with both long term projects and new commissions. Land Securities instructed the demolition of the existing buildings at Ludgate and Waterman is engaged to complete the detailed design and procurement stage of the project. This will deliver two buildings providing 40,000m<sup>2</sup> of Grade A commercial space. In addition, work has proceeded on the scheme design of 1 New Street Square for Land Securities, a striking building providing 14 storeys of Grade A office space.

In January 2012, construction began on 6 Bevis Marks to deliver 22,000m<sup>2</sup> of office space for CORE. The design makes use of existing foundations and this combined with strengthening works saves time and contributes to the sustainability aspects of the project. Work has begun on site at 8-10 Hanover Square for Morgan Capital to provide new offices and residential units.

Structural works were completed on the refurbishment of 12-15 Finsbury Circus for Union Investment Real Estate and CORE. The new National Centre for Network Rail at Milton Keynes is structurally complete and will be occupied later this year.

New commercial projects which are expected to provide work in the immediate future include 100 Cheapside, a 14,000m<sup>2</sup> office and retail development for Quadrant Estates and Topland's 33 King William Street project with Greycoat/CORE, which will provide 30,000m<sup>2</sup> of office space over eleven storeys.

### **Residential**

NEO Bankside, the Waterman designed residential development next to Tate Modern in London, added to its growing list of awards with a commendation at the Structural Steel Design Awards 2012, sponsored by BCSA and TATA Steel. The project has now won more than a dozen awards and is fast becoming a modern icon. Three of the four main residential pavilions are now complete with the fourth currently nearing completion of the fit out. Construction is well underway on the final buildings in the NEO Bankside development: a commercial office on Southwark Street and a striking gymnasium structure within the development's grounds. Both were designed by Waterman with project architect Rogers Stirk Harbour and Partners.

Good progress has been made on the prime residential development at Alpha Place in Chelsea for joint venture clients Native Land and Grosvenor. The 25 apartment scheme includes a pool and gymnasium housed in the extensive underground structure. The large column free entertaining and living areas presented significant challenges for Waterman's structural team, requiring innovative design solutions to be developed. The contractor has now commenced work on site and the final designs and construction details are currently being completed.

Waterman is continuing work at Wandsworth Town Square for Mount Anvil. This mixed use, two acre development will provide 416 residential units, 1,000m<sup>2</sup> of commercial office space, retail units and a new square as the focal point with much improved public amenity space.

In the centre of Bradford, Waterman has been appointed by Aspire to design the first phase of an affordable housing scheme, comprising 75 apartments. The full scheme will deliver 705 units in 5 phases.

Student accommodation also continues to provide opportunities. Work at Winchester University for Osborne Developments has now been completed and a further project at Southampton is expected to commence in late 2012 involving 1,000 apartments.

### **Retail**

Workload in the retail sector has increased gradually during the year. Further progress has been made on the 100,000m<sup>2</sup> Trinity Leeds project as well as other large retail developments at Crawley, Lakeside, Newport, Stoke on Trent, Milton Keynes, Selly Oak, Telford and Wandsworth. New appointments have been received for projects at Bluewater, Leamington Spa and Watford and are progressing well. Waterman also continues to advise Tesco on the Express roll-out programme and other new supermarket stores across the country.

### **Urban Regeneration**

The Crown Estate has continued the development of its two major central London portfolios: Regent Street and the St James's area.

In Regent Street, AirW1 (formerly Quadrant 3) was completed in October 2011 and provides seven floors of office space, retail at ground floor and three basements. Many features of the former building, the 1920's Regent Palace Hotel, have been retained including the notable façades, the Atlantic Bar and Grill and Titanic Rooms. The project won the Building Magazine Project of the Year

award at the 2012 Building Awards and was winner of the New London Awards 2012 office category. Its energy strategy has set a new benchmark in central London for a sustainable development.

The Quadrant 4 project is a proposed redevelopment of the former annex to the Regent Street Hotel to provide a residential scheme comprising one, two and three bed apartments. Feasibility studies have been completed and a planning application is due to be submitted in late 2012.

Waterman is also working on Quadrant 2 (South) located on the corner of Regent Street and Air Street. The proposals will unite the upper floors of the two buildings to provide large, single floor plates for commercial use. Work is anticipated to start on site in early 2013 and retail tenants at ground floor will remain in occupancy whilst the partial demolition and reconstruction of the upper floors progresses.

The redevelopment of Block W4, 163-185 Regent Street is progressing well on site. The project will provide 5,000m<sup>2</sup> of prime retail space and 13,000m<sup>2</sup> of contemporary offices. A ground breaking ceremony on 7 June 2012 marked the completion of the first stage of the building process. The proposal for the adjacent Block W5 is to regenerate two listed buildings to provide 2,800m<sup>2</sup> of flagship retail space and 7,500m<sup>2</sup> of grade A office space. Completion is scheduled for the first quarter of 2015. In conjunction with the redevelopment of Regent Street and the St James's area, Waterman's structural teams are advising on the refurbishment and conversion of buildings in the vicinity for residential use. These include Albany House, 80-82 Mortimer Street and Ogle Street.

Work has also started in the St James's area with Waterman providing structural consultancy services on the St James's Gateway development. Located in the heart of the West End between Piccadilly and Jermyn Street, the scheme will consolidate seven existing buildings to provide 5,000m<sup>2</sup> of commercial offices, 2,000m<sup>2</sup> of retail and 1,700m<sup>2</sup> of residential units with improvements to public realm in Eagle Place, Jermyn Street, Piccadilly and Lower Regent Street.

Redevelopment proposals were launched for three sites in the Crown Estates St James's Portfolio to deliver 28,000m<sup>2</sup> of mixed use accommodation. The principal scheme, St James's Market, is a commercial redevelopment of two blocks to create 20,000m<sup>2</sup> of office and 4,500m<sup>2</sup> of retail, restaurant and leisure space between Haymarket and Regent Street. By preserving the historic façades and using world class architectural design for the buildings, the new development will provide high quality accommodation within a traditional setting.

In Leeds, progress has been made on the extensive Eastgate development and following some re-planning to suit the retail market, a revised scheme is now moving forward.

Waterman is involved in the next stage of City Central in the centre of Stoke on Trent. The 41,800m<sup>2</sup> scheme will include a new bus station, a wide range of new shops, cafes and restaurants, a cinema complex, a hotel and improved parking. In addition, Waterman is working on the refurbishment and major extension of the Westgate Centre in Oxford and the bus and coach station site in Exeter, both for The Crown Estate and Land Securities; Worthing Gateway adjacent to Worthing Station for Hanson Capital Management; and the regeneration site at Kings Cross for Argent.

## **Energy / Industrial**

Work on the Dewar Place substation redevelopment in Edinburgh for Scottish Power is nearing completion. Major power plant is being installed and the substation will be fully operational in 2013. Good progress has been made on the Northallerton and Hertfordshire waste to energy plants and further projects are expected to proceed in the year ahead.

Work has continued on a number of projects with Princes Foods. The new production building and syrup room at its Bradford complex has started on site and feasibility studies have been completed for the Cardiff and Manchester plants.

## Civil and Transportation

Market conditions have remained challenging for Waterman's civil and transportation consultancy business. Restructuring has continued throughout the year in order to reduce unit costs whilst refocusing the skill base to serve those markets with the potential to provide increased workload. The power, energy and waste sectors continue to show growth and there has also been some recovery in public sector consultancy. The transport sector has also provided a significant workload in the year, whilst in the private sector, demand for development infrastructure planning and design services has remained challenging.

Outside London, Waterman's markets have remained extremely competitive and uncertain. Low utilisation of these regional teams has negatively impacted on overall profitability of the civil and transportation business.

### Development Planning and Infrastructure Design

Waterman has built on its expertise in the key engineering aspects of development planning, namely transport planning, flood risk and water management, utility and land quality assessments. Teams are located throughout the UK providing these services across a wide range of market sectors.

Schemes within the urban regeneration market have been focused on obtaining planning permission for a revised development mix which reflects the changed economic conditions. Work has continued on the Eastgate development in Leeds with minor amendments to planning submitted in early 2012. Detailed design is expected to commence in autumn 2012. The team is also working on the masterplan for the Central Milton Keynes shopping centre and has commenced work on planning applications for the refurbishment and redevelopment of the two principal shopping centres in central Croydon. In the West Midlands, Waterman's multidisciplinary engineering services helped to gain Planning Approval in February 2012 for The Junction retail and office park which will regenerate derelict industrial land close to Oldbury town centre.

In Scotland, the Laurieston Transformation and Regeneration project in Glasgow is under construction and further phases are due to commence design in 2013. On a smaller scale, design work has commenced on the Mill Street development in Aberystwyth, which encompasses the relocation of a large substation to provide a retail and residential development within the town centre. In July, planning permission was received for the redevelopment of Spanish City in Whitley Bay. This project for the Robertson Group aims to regenerate an historic part of the town and it is expected to progress over the coming year.

The residential sector has shown signs of recovery during the period and Waterman is working on projects throughout the UK. Work has continued on the 1,200 unit South Sebastopol scheme at Torfaen in Wales for Barratt Homes and the Welsh Assembly Government. Following a planning refusal in April 2012, the scheme is now subject to a planning appeal, and Waterman has been appointed to provide expert witness input. Construction work is almost complete on the first phase of the Horsted Park development in Chatham, Kent for Countryside Properties which when complete will comprise over 200 units and a residential care facility. Work on further phases is due to start in 2013. Infrastructure engineering support has been given to a planning application for a phased 670 residential unit development on the former RAF Cardington Airfield, the home of the R101 Airship, on behalf of Fosbern Manufacturing with construction expected to start in 2013.

During the year, Waterman was appointed by Robertson/West Highland Housing Association to provide engineering consultancy services for the Dunbeg Corridor Development at Oban in Scotland. This residential led development is part of a long term plan to address the housing shortage in this part of Scotland and should provide work for the Scottish team for a number of years. In the East Midlands, Mansfield District Council granted planning in October 2011 for the Lindhurst development, a 169ha site to the south of Mansfield which will include 1,750 houses, 23ha of employment land, 5ha of commercial land as well as a new primary school and local centre. The team is now retained by the Lindhurst Group for the discharge of planning conditions and to progress the first phase of the development. Waterman has an increasing portfolio of residential schemes and is working for a number of the major house builders.

Projects for Tesco have provided a significant proportion of the work in the retail sector. However, due to a reassessment by Tesco of its development needs, there was a significant reduction in projects in the second half of the financial year. Waterman has over twenty current projects with Tesco and work has recently restarted on a number of developments that were postponed in February 2012. Design work has commenced on Tesco's mixed use retail, leisure and residential scheme in Streatham.

In other sectors, the Scottish team has carried out a number of projects for Malcolm Group on its portfolio of distribution centres, with on-going projects moving forward during the next financial year. In the education sector, the Port Glasgow Joint Campus is in the construction phase and due for completion in 2013. Healthcare is also providing workload throughout the UK with projects that range from hospital facilities to GP and dental facilities. In June, work recommenced on the Ballymena Health Care Centre in Northern Ireland, a project that has been on hold for the last twelve months. Consultancy work has also recently started for the MIRA Technology Park (former Motor Industry Research Association) development close to Tamworth. Initial work includes pre-planning services for flood risk and ground conditions for the first phase of the development, as well as advice for the associated off-site improvements to the A5 Trunk Road.

Waterman has been appointed by Glasgow 2014 to provide engineering consultancy services for the works necessary to prepare Hampden Stadium and other facilities for the 2014 Commonwealth Games. Construction has commenced on site and will continue until the opening of the Games.

### **Power, Energy and Waste**

Power, energy and waste remain target sectors for the company and there has been a steady increase in workload throughout the year.

Waterman has strong relationships with a range of power generators in the UK and the power team has maintained its workload on a range of both maintenance and upgrade projects. Work continues on Selective Catalytic Reduction (SCR) and Selective Non-Catalytic Reduction (SNCR) schemes and feasibility studies for biomass fuel replacement projects.

A significant number of projects are being carried out for the Transmission, Distribution and Renewable Energy divisions of Scottish and Southern Energy. Five large substations are currently at the construction phase as part of the grid reinforcement scheme for the north of Scotland. In addition, Waterman is carrying out a major site investigation for a new 70km cable route which will be part of the system to connect proposed wind farms on the Western Isles to the electricity grid at Inverness. Work has also started on updating the flood risk assessments for over 200 substations in Scotland.

Feasibility studies have continued on a number of planning applications for single wind turbines located throughout Scotland. Over 200 technical reports have been submitted in support of individual turbine planning applications and Waterman's involvement will continue throughout the next financial year. As a result of this work, the team has gained significant experience in all aspects of wind farm design and is currently at the early stages of design for multi-turbine wind farms.

Energy management is generating an increasing proportion of the company's revenue. In May 2012, Waterman was appointed to carry out an energy audit and design of the resultant refurbishment works for the Proctor and Gamble facility in Newcastle. Five additional facilities are currently being assessed. Similar commissions are being carried out on behalf of the NHS in Scotland with projects at the Southern General Hospital and Glasgow Royal Infirmary.

Detailed designs have been completed for the proposed £12m lightweight aggregate processing facility for Lytag at Drax Power Station in North Yorkshire. Construction work is due to start imminently. Waterman has also been assisting Lytag with a proposal for a similar facility in India and a decision on whether the project will go ahead is expected towards the end of 2012.



Waterman is also providing pre-planning services for access roads, geotechnics, hydrology and hydrogeology for a proposed new limestone quarry in north Nottinghamshire.

## **Transport**

Waterman has increased its workload in the rail sector during the year. Designs have progressed well on the Royal Arsenal and Woolwich Station structure and this £75m Crossrail project for Berkeley Homes is anticipated to complete in 2013. In addition to the civil engineering structure for the station, Waterman has been commissioned to design further phases of the development.

Design of station upgrades as part of the National Station Improvement Programme has continued with over ten projects being completed during the year. Waterman is continuing to receive project commissions under this programme and it is anticipated that workload will be maintained in the next financial year.

In Manchester, Waterman has an engineering consultancy contract with Metrolink RATP, which operates the tram system. Several commissions have been completed during the year and further appointments for projects have been received for the next twelve months.

Waterman's AutoRail™ asset database continues to be the primary source of information for the UK rail network. The company has been reappointed by Network Rail to keep information updated and to issue quarterly updates to subscribers which include Network Rail, train operating companies, consultants and contractors.

The rail team in London has continued to offer a specialised service which provides developers with the necessary assessments of the impact of new developments on the assets of London Underground and Network Rail. This has allowed planning approvals to be obtained for challenging projects. Work is currently being carried out for the major scheme at King's Cross for Argent Estates and Johnson House in Belgravia for Berkley Homes.

In the highway sector, design work was completed on the second phase of the Bedford Southern bypass for Bedford Borough Council. Statutory and legal processes are being completed with a view to starting construction in spring 2013. Waterman is anticipating further work on this project during the construction phase. A series of smaller highway improvement projects have been designed during the year both for development infrastructure works and public sector consultancy frameworks.

Waterman has a continuing framework with British Airways and this has resulted in projects at both Gatwick and Heathrow Airports. The team has also carried out projects at London City Airport and is currently bidding for a series of projects which the airport is proposing to carry out as part of its long term development plan.

## **Public Sector**

Waterman has been successful in gaining new frameworks as well as retaining existing ones. Its long term commission with Bexley Borough Council was retained in October 2011 after a competitive tendering process. The framework with Crawley Borough Council (CBC) was also retained in March 2012. Both frameworks provide a significant volume of work for the London and South East division and the team has recently been appointed by CBC to provide maintenance and refurbishment consultancy advice for two reservoirs. One of these involves reconstruction of the dam of the Ifield 64,000m<sup>3</sup> capacity reservoir. In the North, Waterman was appointed to the YORconsult framework in May 2012 and this is expected to provide work in the coming year.

In Scotland, the company has frameworks with Fife, East Dumbarton, East Ayrshire, Dumfries and Galloway and Borders Councils, all of which are providing work for the team.

Waterman will continue to pursue public sector frameworks during the coming year as part of a strategy to maintain workload over a diverse range of markets.

## Secondment Services

Demand for all the services of Waterman Aspen, the Group's secondment and outsourcing company, has shown a gradual and sustained recovery since January 2012. The core local and highway authority markets have stabilised and Waterman continues to provide support to more than 40 local authorities with professional and technical staff working in co-located teams with clients.

The Midlands Highways Alliance Professional Services Partnership has provided a significant volume of work during the year and the company is targeting further frameworks in conjunction with the consultancy teams. Waterman has also been targeting other markets and has gained a significant level of work from the rail sector. This remains a key area for expansion.

During the year, restructuring of the company has continued and it now has a cost base commensurate with the anticipated volume of work for the immediate future.

## Health and Safety

Waterman Health and Safety provides consultancy services to clients across all the market sectors in which Waterman operates.

It has a range of long and short term projects throughout the UK, operating as a national division. Currently, framework agreements are in place with Enfield and Bexley Councils and the University of Plymouth and major projects such as Broadmoor Redevelopment, Tate Britain, Bristol Schools and the Haggerston and Kingsland regeneration project in London are underway.

The team has also undertaken a number of interesting projects relating to the London 2012 Olympics and Paralympics. These included the refurbishment of the external concrete at Herne Hill Velodrome which is a practice venue for cyclists; new lighting to Tower Bridge that incorporated facilities for light displays with the bridge changing colour to bronze, silver and gold to celebrate the medals won by Team GB; and new lighting to six bridges crossing the River Thames from London Bridge to the Golden Jubilee Bridge.

## Building Services

**Despite challenging market conditions, Waterman's building services team has continued to operate successfully across a range of market sectors. The past twelve months have seen significant restructuring which has created a fitter and more dynamic team, capable of delivering a high quality service from a reduced cost base.**

### Commercial

Waterman has secured a number of commissions for new work in the commercial sector. These include the Saville Row scheme for Allied London and Axa's No.1 St Paul's Churchyard office and retail scheme, both in London, together with new offices for GDF Suez in Leeds. Various projects in London are at or near construction stage including Finsbury Square for Pembroke Real Estate; 1 and 2 New Ludgate for Land Securities; 8-10 Moorgate, a 17,172m<sup>2</sup> project for Stanhope; and the 6 Bevis Marks and Finsbury Circus House schemes, of 14,800m<sup>2</sup> and 13,000m<sup>2</sup> respectively, both for CORE. Construction work has continued on the new 36,790m<sup>2</sup> American Express Headquarters in Brighton, with the main office building expected to be completed at the end of 2012.

### Residential

There have been signs of recovery in the residential sector and Waterman has continued to secure commissions for prestigious residential and mixed use schemes. In London, where the market remains buoyant, work includes Skyline, a £125m scheme in the Docklands designed by Terry Farrell providing 749 residential units and 7,800m<sup>2</sup> of commercial and retail space; the £50m Cremorne Wharf project of 0.39 hectares for the Royal Borough of Kensington and Chelsea and the Union Street project for Mount Anvil which is currently proceeding to tender. Student accommodation is also an

important part of this market and a new commission has been secured via Quintain Estates on behalf of the Wellcome Trust for Bentley House, a 160 bed scheme in London, whilst work continues on projects for Manchester Metropolitan University and Chester University.

### **Healthcare**

The construction of the new £40m Mother and Baby Unit at the Royal Oldham Hospital on behalf of The Pennine Healthcare Trust is nearing handover. This ProCure 21 (P21) scheme followed on from the highly successful Radiotherapy Unit at the same hospital which was completed last year.

### **Education**

Work secured in association with Turner & Townsend through the Office of Government Commerce (OGC) framework is ongoing, with college schemes at Blackpool and Wirral under construction and the Cheadle and Marple and Hugh Baird college projects due out to tender shortly. Heartlands Academy, Fulwood Academy and St Albans Academy, part of the Lend Lease BSF Academies scheme, are due for completion in 2012, together with Middlesbrough BSF on behalf of Willmott Dixon.

### **Industrial & Manufacturing**

Following the completion of the £40m Manufacturing Technology Centre in Coventry in 2011, Waterman has been appointed for feasibility and concept studies for a £20m extension to the development, incorporating a new academy, a secure research facility and conference facilities. Waterman has also been appointed by Laing O'Rourke on a major extension to the Precast Concrete Facility at Steetley, which opened in 2010 and was originally designed by Waterman.

### **Data Centres**

The demand for data facilities has remained strong. Waterman's newly formed Critical Systems group continues to win commissions with prestigious data centre operators such as Ark Continuity, Amex, Talk Talk and the Telecity Group. Following completion of successful projects with Ark Continuity, further commissions have been won for new data centre facilities across two of its campuses, Spring Park and Cody Park. Having completed a number of single point of failure studies for Talk Talk, further appointments have been won to implement the recommendations on a number of its sites. Waterman completed Data Hall 1 for the MOD at Abbeywood, Bristol and has since been appointed to oversee the design and installation of Data Hall 2. Waterman undertook the detailed design for the Amex Data Centre in Brighton and this was handed over in July 2012.

### **Hotels**

Waterman has been appointed on the redevelopment of the Grade II listed Bow Street Magistrates Court in London's Covent Garden into a 100 bedroom boutique hotel. In addition, design work on the 160 bedroom Field of Mars Hotel in Russia has been completed in conjunction with Gensler Architects.

### **Retail**

Waterman was the building services designer for the refurbishment of the Marks & Spencer store at Meadowhall in Sheffield. Construction work is well underway at Hermiston Retail Park in Consett, for Aviva.

### **Defence**

Based at Aldershot, Waterman's Aspire team has provided consultancy services for the seventh year on Project Allenby and Connaught. The £1.5bn Aspire construction project is the largest PFI project in the UK providing technical, administrative and residential accommodation for military and civilian staff. It is anticipated that the team will remain on site until 2013.

## **Environment, Energy and Design**

**Waterman's environmental business exceeded expectations this year, delivering significantly improved profitability and retaining its position as one of the UK's leading environmental consultancies.**

**The strategy continues to focus on increasing market share, building on established centres of excellence and using this expertise to diversify into other sectors. Innovative services continue to be developed, which add real value for clients and reduce their environmental risks.**

### **Due Diligence & Environmental Management**

It has been another excellent year for Waterman's due diligence team, consolidating its reputation as a leading service provider in this area. Appointments in the aviation sector continued, with the team advising on a number of significant airport transactions including BAA's disposal of Edinburgh Airport, the proposed purchase of the long term concession agreement for Puerto Rico's Luis Muñoz Marín International Airport on behalf of Ferrovial and supporting AENA, the Spanish Government's airport operator in the proposed concession agreements to run Barcelona and Madrid Airports.

The team also continued to provide environmental due diligence advice on major property transactions including Stanhope's acquisition of the BBC Television Centre in Wood Lane and British Land's acquisition of the Daily Mail Group's Harmsworth Quay Print Works. The team has also developed a sustainability assessment tool for property acquisition and existing asset management, which is currently being trialled by a number of key clients.

Waterman's Greenspace corporate environmental, health, safety and carbon management services were expanded in order to retain a leading market position. New applications include the Superuser function which allows efficient and cost effective control of multisite portfolios through a single login, complemented by a growing international service which allows multinational corporations to manage operations and/or supply chain exposures. The team has supported clients in their international operations in Sweden, Holland and Australia.

### **Brownfield Regeneration**

Work continued on the redevelopment of the 100 hectare former Steetley Colliery site in Nottinghamshire for Laing O'Rourke, with the enabling works package due for completion in late 2012. The package included the relocation of existing sensitive ecological habitats to two specially formed wildlife areas and the creation of six level platforms for future development as an industrial park.

At the former 500 hectare US Air Force Base in Upper Heyford, Oxfordshire, following a lead in time of almost two years, work to empty, clean and make safe the former fuel storage and 23km fuel pipeline distribution system was completed in February. A significant amount of work remains to be undertaken at the site for the mixed use, residential, community and commercial development. Waterman has been appointed to undertake much of the relevant future work relating to this scheme.

Waterman provided land quality, ecology and archaeology consultancy services in support of a planning application for the former Ford foundry in Leamington Spa for a mixed use scheme comprising a food store, car park, hotel, office, commercial units and public open space. Following the grant of planning, demolition and remediation work commenced on site in October 2011 with Waterman providing a technical monitoring role. This work was successfully completed to allow the main development to commence.

## **Pre-Planning Services, Sustainability & Environmental Impact Assessment (EIA)**

Waterman retained its position as one of the leading providers of pre-planning EIA services for urban regeneration projects, and was appointed for a number of high profile schemes during the year. The team delivered three key EIAs for Lend Lease's regeneration of Elephant & Castle in London: the Heygate Masterplan which relates to the redevelopment of the Heygate Estate to provide a residential led, mixed use scheme with between 2,300 and 2,469 new homes; Phase One of the Heygate Masterplan, comprising a detailed planning application for a further 235 homes adjacent to the south-east of the Elephant and Castle Heygate Masterplan site; and the detailed planning application for the St Mary's Residential scheme, which comprises a 37 storey tower and a 4 storey pavilion building providing 284 residential units, retail and flexible office use.

Drawing upon a long historic involvement with the former P&O Estates' Elizabeth House site, adjacent to Waterloo Station in London, developers Chelsfield and London & Regional retained Waterman's EIA expertise to support their £600m investment to transform the area, creating a new business district and a dramatic new public space in front of Waterloo Station. The EIA was successfully delivered to accompany the submission of the planning application in April 2012.

The team has been retained as lead EIA consultant for several high profile schemes including Stanhope's Ruskin Square, Croydon (previously Croydon Gateway) and Station Hill in Reading; Minerva's Ram Brewery, Wandsworth; Augur Group's 25 hectare mixed-use redevelopment of the former Vauxhall Motors' manufacturing site at Napier Park and Stirling Place, Luton; Hammerson's proposed retail led, mixed use redevelopment of the Whitgift Centre in Croydon; and British Land's Harmsworth Quay project.

The team has continued to increase its regional presence, completing the EIAs for the regeneration of Macclesfield Town Centre for Wilson Bowden Developments, for a site in St Helens which is being developed as an industrial facility by Canmoor Developments, and for a new 120-unit residential development at Edmonstone in south-east Edinburgh.

Waterman's landscape, archaeology and ecology teams have continued to provide pre-planning services to a number of property developers and house builders across the UK, gaining a number of planning permissions including the redevelopment of the former Gloucester College of Art and Technology for Linden Homes and Vesta's wind turbine construction plant at Sheerness.

Building on Waterman's reputation and core expertise in property, significant progress has also been made in diversifying the business with a number of key, non-property commissions. These include an EIA for a revised restoration of a landfill, a 5MW photo voltaic array at a former colliery in Kent, and dam reconstruction and de-silting works, together with general landscape and ecological enhancement at a reservoir in East Sussex. In Scotland, the team completed a number of assessments for small scale wind farms and hydro-electric proposals at sites in Perthshire, Lanarkshire and Ayrshire, motorway improvement works on the M90 in Fife and continuing EIA and related work on several proposed energy from waste sites.

In the public sector, the team completed technical studies associated with lake improvement works and a site development constraints analysis for Crawley Borough Council, whilst the assessment of two landfill sites for Kent County Council is on-going. In addition, Waterman's acoustics team was appointed to the UK Government's Environmental and Sustainability Advice Framework and the sustainability team has been awarded funding from the Technology Strategy Board for a climate change adaptation strategy for a new civic and office building in Northampton.

## International

**Waterman's Australian business has delivered an excellent result but other offices within the international business have continued to experience challenging market conditions. Following restructuring, good progress has been made in matching overheads to the reduced workload and reorganising the business to meet the demands of the market conditions. Focused efforts have been made to maintain sustainable workload in four main regions; Australia, Middle East, Europe and CIS.**

### Australia

The Australian business has continued to make a significant contribution to Waterman's international operations. Work has focused on local projects across Australia from the public and private sectors.

The Sydney office has performed well in a year where New South Wales' market conditions have been depressed with fierce competition in the conventional buildings market. Telecommunications work has been a significant part of the Sydney office workload, particularly designs associated with the rollout of the National Broadband Network (NBN) infrastructure and fibre cabling.

Other areas of activity have been in sectors such as education, public housing, seniors living, police stations, court houses and high density residential developments. Waterman has recently been appointed for the fire and hydraulics design of the new St Vincents & Mater Health Service, Sydney redevelopment project, encompassing both the refurbishment of the existing private hospital building and a new 25,000m<sup>2</sup> wing.

The Sydney office has established a specialist Information & Communications Technology (ICT) division which provides integrated ICT solutions for large buildings, campus and defence facilities. A team has also been established to undertake contestable electrical design for the supply authorities in New South Wales and Queensland. This includes for aerial, underground and substation design works which would otherwise be done by the authority.

Waterman has provided a building services review on Barangaroo, the A\$2 billion waterfront urban regeneration project for Lend Lease in Sydney and has subsequently been appointed on the Barangaroo Headland Park and Cultural Centre for mechanical services design. The team continues to provide engineering services for part of a new rail interchange in south west Sydney. Building services design has been undertaken for a number of universities, including the Engineering and IT building at the University of Technology, Sydney.

Despite the difficult economic environment, the Melbourne office has completed another financially successful year. The team has focused efforts on securing commissions that continue to receive government funding in the health care, education and local government sectors. In addition, there is substantial activity in the residential sector.

Designs have been completed for a prestigious residential development in Chapel Street, Prahran and for the Essendon Football Club, which is the fourth football sports complex to be designed by the Melbourne office. Construction work on both of these projects has commenced.

In the health care sector, work has commenced on a major infrastructure upgrade for the Royal Eye and Ear Hospital, which is the first stage of a A\$160m project. Work is ongoing for Stage 3 of Frankston Hospital development and its new Emergency Department, an A\$80m project which is due for tender in early 2013. Technical reviews for the new Victorian Comprehensive Cancer Centre in Parkville are being undertaken, together with the design of the A\$50m Albury and Wodonga Regional Cancer Centre.

Three regional swimming and leisure complexes are under design, with the first of these due for tender in late 2012. Waterman has extensive experience in this market having already completed seven major swimming complexes.

Waterman continues to secure work in the education sectors, focusing on projects that benefit from government funding. Design is currently underway for the A\$11m Blackburn High School and the A\$20m Surf Coast Secondary College, both in Melbourne.

The Brisbane office has had a steady year of trading. The main areas of activity have been in the commercial office, retail and industrial sectors carrying out small projects for companies such as Mirvac, NAB bank and Charter Hall.

Recent appointments for Waterman in Australia include structural engineering designs for The Quay, a mixed used development in Sydney, numerous health care projects and football clubs in Victoria, and a major new residential housing complex in Sydney for Defence Housing Australia.

### **Middle East**

Waterman's Emirates company started the year with a reasonable workload, but due to the suspension of a major project in Abu Dhabi this was not sustained and it was necessary to restructure the office. The operation is now well placed to deliver high quality design and facilities management (FM) services to its key clients in the region.

Construction of the Al Muneera project at Al Raha Beach in Abu Dhabi was successfully completed at the end of 2011 and a small team will remain involved during the contractor's twelve month defects period. Waterman's FM services on framework contracts for Injazat and at Yas Marina were successfully delivered during the year.

The hotel refurbishment for MAF Group in Dubai is now on site and Waterman is providing construction supervision services with completion anticipated at the end of 2012.

Waterman completed the delivery of the Information and Communications Technology (ICT) strategy and principles for the Dohaland project in Qatar and will monitor its implementation during the design and construction phases. Also in Qatar, the ICT design for the Doha Convention Centre and Tower project has progressed and the detailed design for the fit out of the new headquarters for Barwa has been completed.

In the wider Middle East and North Africa (MENA) region, several commissions have progressed to completion. The detailed design of the Khams Shamat retail project for Dubai based MAF Group was completed in the first half of the year. In Sudan, the construction drawing stage has been completed for the infrastructure for the Musheireb, a mixed use development in Khartoum.

Recent new appointments include full engineering design for a major retail centre at Kish Island in the Persian Gulf and for a hotel and office development in Lebanon.

### **Europe**

Waterman's European operations continued to experience challenging trading conditions in the last year. The eurozone crisis has seen the demand for services remain subdued, with clients more cautious about moving forward with projects. A return to growth in European operations is not anticipated until the economic outlook for Europe improves. However, the cost of the company's European operations has been adjusted in line with income and Waterman is well placed to take advantage of any upswing in demand.

In Ireland, Waterman has maintained market share under very difficult conditions. The Irish construction sector has shrunk for five consecutive years now, but despite this, the Dublin office has remained busy.

The education sector continues to be the single biggest source of work for the office, with five major school projects under construction during the last year, including a large education campus in Monaghan providing primary, secondary and tertiary education facilities on a single site. A further four projects involving redevelopment of schools are at design stage. Waterman has also been appointed,

as part of a multidisciplinary team, following an international design competition to develop a new prototype 1,000 pupil second level college for the Irish Department of Education and Skills.

The retail sector continues to provide a steady workload for the Dublin teams, with a number of new commissions being secured from retail chains for supermarket developments at sites throughout Ireland, including some mixed use, town centre schemes. Retailers are taking advantage of the value that is available in the property and construction sectors in Ireland at present to expand their penetration into the market.

The last year has seen recognition of the expertise within Waterman in due diligence and site assessment, with the Dublin team now regularly retained to advise on distressed and incomplete property assets in respect to options for making safe and the potential for building out the developments. Clients include all the major banks and receivers in Ireland. Further growth is expected in this market over the coming year, as financial institutions continue to work through property assets under their control. This should lead to more substantial commissions as decisions are made to enhance value on sites in key locations.

The latter part of the year has seen the first signs of developer activity returning to the Irish market, albeit on a small scale. Commissions have been secured for planning stage input on new phases of three large development sites in the Dublin area, while the design of small residential phases of the Honeypark and Adamstown developments is also being undertaken.

While the year ahead is likely to remain challenging for Waterman's operations in Ireland, the first signs of a slow recovery are evident, and a gradual return to more sustainable trading is expected over the next few years.

In Central Europe, the private development market has consolidated but is not yet showing a growth in opportunities. In Poland, Waterman has been appointed to carry out due diligence work, BREEAM assessments and pre-planning studies for various sites. This has been complimented by new commissions for design services for a retail centre in the East of Poland, a factory extension for a pension fund in the south of Poland and a number of refurbishment projects to existing retail centres in several major cities. The level of enquiries rose towards the end of the year with opportunities arising in Poland, Romania and Ukraine.

The London based team has undertaken a multidisciplinary feasibility study for a new hotel and leisure complex in the Russian Far East, which is due to proceed to design stage over the next few months. Design has been completed recently for a new 17 storey residential tower on the beachfront in Accra, Ghana, and work on a second tower will continue into the new financial year. Expert advice and due diligence services have also been provided for developments in Zanzibar, Bucharest and Germany.

### **Commonwealth of Independent States (CIS)**

Waterman's offices in Moscow, Russia and Almaty, Kazakhstan share resources on projects in the two countries. Over the last twelve months, trading conditions have remained difficult as developments won did not commence to the expected programme and postponed projects did not recommence as expected. However, during the fourth quarter of the year, an increase in enquiries was seen and a number of new projects were secured, providing a good order book for the coming year. Also, the opportunity was taken to relocate to more appropriate offices in Moscow as the current lease expired.

Stage 2 of the Khamovniki Project, a mixed use residential complex of 444,600m<sup>2</sup> in Moscow for Metalloinvest-Development, commenced in March 2012 and will continue to provide good workload throughout the year. Stage 1 construction is progressing well and additional work is expected to be instructed on this project. Construction work on Smolensky Basage, a 60,000m<sup>2</sup> new, mixed use development in Moscow commenced in July 2011 and the sub-structure is now complete on site with design work continuing in the office.

New projects were won and design commenced in the year including the conversion of a historical building in St Petersburg to hotel and residential use and concept design for a major new hotel in Sochi. Waterman was also appointed for utilities design for the masterplan stage of the prestigious Skolkovo Project in Moscow. A new hotel for Hyatt in Rostov was secured during the last quarter of the year and a combined team from London and Moscow have commenced design work.

The multidisciplinary engineering design of the 100,000m<sup>2</sup> French Centre, a mixed use development in Almaty, Kazakhstan was completed during the year. However, following completion of this project, due to difficult trading conditions in the area, the Almaty office was reduced to a nominal presence maintaining company registration and design licenses to allow Waterman to service new projects when the market improves.

### **China**

Workload in China over the year has been very light due to government measures to reduce inflation and prevent overheating of the economy. However, Waterman has now been invited to take part in a limited competition for the design of the National Maritime Museum in Tianjin. It is also expected that the imminent leadership changes may lead to some easing of constraints, thus allowing funding for new projects in 2013.



**Consolidated Income Statement  
for the year ended 30 June 2012**

	Notes	Pre- exceptional items <u>£'000</u>	Exceptional items (note 5) <u>£'000</u>	Unaudited Year ended 30 June 2012 <u>£'000</u>	Pre- exceptional items <u>£'000</u>	Exceptional items (note 5) <u>£'000</u>	Audited Year ended 30 June 2011 <u>£'000</u>
<b>Revenue</b>	4	<b>68,840</b>	-	<b>68,840</b>	74,097	-	74,097
Employee benefits expense		(42,859)	(1,218)	(44,077)	(45,914)	(394)	(46,308)
Other operating charges		(23,870)	1,603	(22,267)	(25,232)	351	(24,881)
Operating expenses		<b>(66,729)</b>	<b>385</b>	<b>(66,344)</b>	(71,146)	(43)	(71,189)
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>2,111</b>	<b>385</b>	<b>2,496</b>	2,951	(43)	2,908
Depreciation of property, plant and equipment		(714)	(92)	(806)	(1,048)	(80)	(1,128)
Amortisation of other intangible assets		(596)	-	(596)	(731)	-	(731)
<b>Operating profit</b>	4	<b>801</b>	<b>293</b>	<b>1,094</b>	1,172	(123)	1,049
Finance costs		(319)	(284)	(603)	(515)	-	(515)
Finance income		108	-	108	78	-	78
<b>Profit before taxation</b>		<b>590</b>	<b>9</b>	<b>599</b>	735	(123)	612
Taxation	6	(583)	605	22	(340)	167	(173)
<b>Profit for the financial year</b>		<b>7</b>	<b>614</b>	<b>621</b>	395	44	439
(Loss) / profit attributable to- Owners of the parent		(654)	614	(40)	76	44	120
Profit attributable to -Non- controlling interests		661	-	661	319	-	319
		<b>7</b>	<b>614</b>	<b>621</b>	395	44	439
Basic (loss) / earnings per share	7			<b>(0.1p)</b>			0.4p
Diluted (loss) / earnings per share	7			<b>(0.1p)</b>			0.4p



**Consolidated Statement of Comprehensive Income  
for the year ended 30 June 2012**

**Unaudited  
Year ended  
30 June 2012**

**Audited  
Year ended  
30 June 2011**

**£'000**

**£'000**

**Profit for the year**

**621**

**439**

**Other comprehensive income:**

Currency translation adjustments

**(333)**

**708**

Deferred tax credit for the year

**8**

**16**

Change in valuation of own shares held by

**(13)**

**47**

Employee Benefit Trust

Employee Benefit Trust profit / (loss)

**13**

**(3)**

**Other comprehensive income for the year  
(net of tax)**

**(325)**

**768**

**Total comprehensive income for the year**

**296**

**1,207**

Total comprehensive income attributable to –

Owners of the parent

**257**

**365**

Total comprehensive income attributable to –

Non-controlling interests

**39**

**842**

**Consolidated Balance Sheet  
as at 30 June 2012**

		Unaudited 30 June 2012	Audited 30 June 2011
	Notes	<u>£'000</u>	<u>£'000</u>
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		17,110	17,193
Other intangible assets		450	968
Property, plant and equipment	9	2,350	10,239
Loan and receivables		10	10
Deferred tax asset		1,181	846
		<u>21,101</u>	<u>29,256</u>
<b>Current assets</b>			
Trade and other receivables	10	32,657	35,866
Cash at bank	11	3,977	1,411
		<u>36,634</u>	<u>37,277</u>
<b>Total assets</b>		<u>57,735</u>	<u>66,533</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	(19,216)	(19,538)
Financial liabilities - borrowings	13	(1,422)	(1,265)
		<u>(20,638)</u>	<u>(20,803)</u>
<b>Non-current liabilities</b>			
Financial liabilities - borrowings	13	(1,672)	(8,764)
Provisions	14	(1,776)	(2,647)
		<u>(3,448)</u>	<u>(11,411)</u>
<b>Total liabilities</b>		<u>(24,086)</u>	<u>(32,214)</u>
<b>Net assets</b>		<u>33,649</u>	<u>34,319</u>
<b>Equity attributable to the owners of the parent</b>			
Share capital	15	3,076	3,076
Share premium reserve		11,881	11,881
Merger reserve		3,144	3,144
Revaluation reserve		594	600
Retained earnings		13,053	12,852
		<u>31,748</u>	<u>31,553</u>
Non-controlling interest		1,901	2,766
<b>Total equity</b>		<u>33,649</u>	<u>34,319</u>

**Consolidated Cash Flow Statement  
for the year ended 30 June 2012**

		<b>Unaudited Year to 30 June 2012 £'000</b>	Audited Year to 30 June 2011 £'000
<b>Cash flows from operating activities</b>	Notes		
Cash generated from / (used in) operations	16a	<b>152</b>	(409)
Interest paid		<b>(600)</b>	(510)
Interest received		<b>108</b>	78
Tax paid		<b>(183)</b>	(305)
<b>Net cash used in operating activities</b>		<b>(523)</b>	(1,146)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE) and other intangible assets		<b>(439)</b>	(441)
Proceeds from sale of PPE and other intangible assets		<b>11,551</b>	4
<b>Net cash from / (used in) investing activities</b>		<b>11,112</b>	(437)
<b>Cash flows from financing activities</b>			
Repayment of borrowing		<b>(7,872)</b>	(1,245)
Repayments on finance leases		<b>(40)</b>	(53)
Equity dividends paid		<b>(966)</b>	(686)
<b>Net cash used in financing activities</b>		<b>(8,878)</b>	(1,984)
<b>Net increase / (decrease) in cash, cash equivalents and overdrafts</b>		<b>1,711</b>	(3,567)
<b>Cash and cash equivalents at beginning of year</b>		<b>1,411</b>	4,908
Exchange (gains) / losses on cash and cash equivalents		<b>(124)</b>	70
<b>Cash and cash equivalents at end of year</b>	16b	<b>2,998</b>	1,411



**Consolidated Statement of Changes in Equity (unaudited)  
for the year ended 30 June 2012**

	<u>Attributable to the owners of the parent</u>							
	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Revaluation reserve £'000	Retained earnings £'000	<b>Total £'000</b>	Non- controlling interest £'000	<b>Total equity £'000</b>
<b>Balance at 1 July 2010</b>	<b>3,076</b>	<b>11,881</b>	<b>3,144</b>	<b>584</b>	<b>12,806</b>	<b>31,491</b>	<b>2,306</b>	<b>33,797</b>
Currency translation adjustments	-	-	-	-	185	<b>185</b>	523	<b>708</b>
Change in UK tax rate on deferred taxation	-	-	-	16	-	<b>16</b>	-	<b>16</b>
Change in valuation of own shares held by Employee Benefit Trust	-	-	-	-	47	<b>47</b>	-	<b>47</b>
Employee Benefit Trust loss	-	-	-	-	(3)	<b>(3)</b>	-	<b>(3)</b>
Net income recognised directly in equity	-	-	-	16	229	<b>245</b>	523	<b>768</b>
Profit for the financial year	-	-	-	-	120	<b>120</b>	319	<b>439</b>
Dividend paid	-	-	-	-	(303)	<b>(303)</b>	(382)	<b>(685)</b>
<b>Balance at 30 June 2011</b>	<b>3,076</b>	<b>11,881</b>	<b>3,144</b>	<b>600</b>	<b>12,852</b>	<b>31,553</b>	<b>2,766</b>	<b>34,319</b>
Currency translation adjustments	-	-	-	-	289	<b>289</b>	(622)	<b>(333)</b>
Change in UK tax rate on deferred taxation	-	-	-	8	-	<b>8</b>	-	<b>8</b>
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	-	-	-	-	(13)	<b>(13)</b>	-	<b>(13)</b>
Employee Benefit Trust profit	-	-	-	-	13	<b>13</b>	-	<b>13</b>
Net (expense) / income recognised directly in equity	-	-	-	(6)	303	<b>297</b>	(622)	<b>(325)</b>
Loss / (profit) for the financial year	-	-	-	-	(40)	<b>(40)</b>	661	<b>621</b>
Dividend paid	-	-	-	-	(62)	<b>(62)</b>	(904)	<b>(966)</b>
<b>Balance at 30 June 2012</b>	<b>3,076</b>	<b>11,881</b>	<b>3,144</b>	<b>594</b>	<b>13,053</b>	<b>31,748</b>	<b>1,901</b>	<b>33,649</b>

## **Notes to Financial Information for the year ended 30 June 2012**

### **1. General information**

The company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Pickfords Wharf, Clink Street, London SE1 9DG. The company has its listing on the London Stock Exchange.

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

The preliminary announcement for the twelve months ended 30 June 2012 which does not constitute the Group’s statutory accounts as defined in section 435 of the Companies Act 2006 was approved by the directors on 2 October 2012. 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 2011 which were prepared in accordance with IFRS was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. The financial statements for the financial year ended 30 June 2011 have been delivered to Companies House.

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

The unaudited consolidated financial information for the year ended 30 June 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, in accordance with IFRS as adopted by the EU, and in accordance with those parts of the Companies Act 2006 related to reporting under IFRS that the directors expect to be applicable as at 30 June 2012. 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**

There has been no impact due to the implementation of new accounting standards during the year. All of the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2011, as described in those annual financial statements.

## 4. Segmental information

### Year ended 30 June 2012 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	6,106	26,358	7,300	12,585	23,123	-	75,472
Revenue- internal	(185)	(1,220)	(837)	(1,946)	(2,444)	-	(6,632)
<b>Revenue</b>	<b>5,921</b>	<b>25,138</b>	<b>6,463</b>	<b>10,639</b>	<b>20,679</b>	-	<b>68,840</b>
<b>EBITDA pre exceptional items</b>	<b>125</b>	<b>16</b>	<b>303</b>	<b>1,241</b>	<b>426</b>	-	<b>2,111</b>
Depreciation and amortisation on computer software	(68)	(248)	(86)	(119)	(327)	-	(848)
<b>Operating profit/(loss) pre exceptional items and amortisation on acquired intangible assets</b>	<b>57</b>	<b>(232)</b>	<b>217</b>	<b>1,122</b>	<b>99</b>	-	<b>1,263</b>
Amortisation on acquired intangible assets	(36)	(274)	-	-	(152)	-	(462)
Exceptional items	(450)	(1,637)	(211)	(117)	(1,408)	-	(3,823)
Exceptional item-profit on sale and leaseback	-	-	-	-	-	4,116	4,116
<b>Operating (loss)/profit post exceptional items</b>	<b>(429)</b>	<b>(2,143)</b>	<b>6</b>	<b>1,005</b>	<b>(1,461)</b>	<b>4,116</b>	<b>1,094</b>
Net finance costs pre exceptional items							(211)
Exceptional finance costs							(284)
<b>Profit before taxation</b>							<b>599</b>
Taxation							22
<b>Profit for the financial year</b>							<b>621</b>
Profit attributable to non-controlling interests							661
<b>Loss attributable to the owners of the parent</b>							<b>(40)</b>

### Year ended 30 June 2011 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	8,205	29,485	7,063	13,232	21,521	79,506
Revenue - internal	(290)	(1,463)	(546)	(1,587)	(1,523)	(5,409)
<b>Revenue</b>	<b>7,915</b>	<b>28,022</b>	<b>6,517</b>	<b>11,645</b>	<b>19,998</b>	<b>74,097</b>
<b>EBITDA pre exceptional items</b>	<b>541</b>	<b>373</b>	<b>289</b>	<b>1,233</b>	<b>515</b>	<b>2,951</b>
Depreciation and amortisation on computer software	(134)	(374)	(123)	(175)	(485)	(1,291)
<b>Operating profit/(loss) pre exceptional items and amortisation on acquired intangible assets</b>	<b>407</b>	<b>(1)</b>	<b>166</b>	<b>1,058</b>	<b>30</b>	<b>1,660</b>
Amortisation on acquired intangible assets	(36)	(297)	-	-	(155)	(488)
Exceptional items	(84)	(456)	(53)	(35)	505	(123)
<b>Operating profit/(loss) post exceptional items</b>	<b>287</b>	<b>(754)</b>	<b>113</b>	<b>1,023</b>	<b>380</b>	<b>1,049</b>
Net finance costs						(437)
<b>Profit before taxation</b>						<b>612</b>
Taxation						(173)
<b>Profit for the financial year</b>						<b>439</b>
Profit attributable to non-controlling interests						319
<b>Profit attributable to the owners of the parent</b>						<b>120</b>

\* The international multi-disciplinary business segment consists primarily of the building services and structures disciplines.

## 5. Exceptional items

The following is an analysis of the exceptional items arising within the Group during the year, all of which have been included in the Consolidated Income Statement.

	Unaudited Year ended 30 June 2012 £'000	Audited Year ended 30 June 2011 £'000
<b>Employee benefits expense</b>		
Other restructuring costs	1,218	394
<b>Other operating charges</b>		
Profit on sale and leaseback of Land and freehold property	(4,116)	-
Property provisions and accruals	1,035	(115)
Work in progress and trade receivables provisions	1,478	(236)
	<u>(1,603)</u>	<u>(351)</u>
<b>Depreciation of property, plant and equipment</b>		
Depreciation	92	80
<b>Finance costs</b>		
Mortgage early repayment charge	284	-
<b>Taxation</b>	<u>(605)</u>	<u>(167)</u>
	<u>(614)</u>	<u>(44)</u>

- a) **Restructuring costs:** Relates mainly to redundancy costs resulting from restructuring within our Building services, Civil and Transportation and Emirates businesses.
- 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 £4,116,000 was recognised on the sale, after transaction costs of £457,000.
- c) **Property provisions and accruals:** During the year to 30 June 2012, a provision of £1,035,000 (2011: £115,000 release) 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:** Due to the closure of offices both within the UK and Kazakhstan and the restructuring of the UAE business, the Group has made provision against £1,478,000 (2011: £236,000 release) of work in progress and trade receivable balances. Included within the exceptional WIP and debtor provisions is £650,000 which relates to revenue earned in the current year. Every effort is made to collect all contractual amounts due to the Group.
- e) **Depreciation of PPE:** An additional depreciation charge of £92,000 (2011: £80,000) relates to the accelerated depreciation on PPE within the vacated office space.
- f) **Mortgage early repayment charge:** As a result of the sale of Pickfords Wharf, the mortgage on the property was repaid in full. An early repayment charge of £284,000 was incurred as a result of the repayment.
- g) **Taxation:** The taxation credit of £605,000 (2011: £167,000) is due to the deductibility of the UK element of the exceptional items. The CGT payable on the sale of Pickfords Wharf is £233,000. However UK tax losses are available to offset the gain.

## 6. Taxation

The taxation credit for the year ended 30 June 2012 of £22,000 is significantly affected by a £270,000 prior year adjustment relating to the finalisation of a tax review and the tax impact of the exceptional items.

## 7. (Loss) /earnings per share

The basic (loss) /earnings per share has been calculated on the profit attributable to the owners of the parent and based on the weighted average of 30,552,824 shares in issue during the year and ranking for dividend (30 June 2011: 30,501,241).

The fully diluted (loss) / earnings per share also takes account of unexercised options potentially convertible into new ordinary shares and shares conditionally awarded in accordance with the Long Term Incentive Plan. The calculation is based on a weighted average of 30,552,824 shares during the year (30 June 2011: 30,508,767).

Adjusted earnings per share before amortisation of acquired intangible assets and exceptional items is a loss of 1.0p (2011: profit of 1.8p).

Earnings per share reflect an unusual combination of factors, including a tax adjustment on UK profits of £270,000 following resolution of a review of tax charged in previous years, a high profit contribution (and hence minority charge) from the Group's Australian operations and tax charges on the individual exceptional items. We expect that earnings per share in future periods are likely to reflect more accurately underlying operating performance, as Group tax charges revert to something closer to the standard UK rate.

## 8. Dividends

An interim dividend of 0.1p per share was paid on 4 April 2012. The directors propose a final dividend of 0.2p per share (June 2011: 0.1p per share). The shares will become ex-dividend on 12 December 2012 and the dividend will be paid on 11 January 2013 to those shareholders on the register at the close of business on 14 December 2012.

	<b>Unaudited</b> <b>Year ended</b> <b>30 June 2012</b> <b>£'000</b>	Audited Year ended 30 June 2011 £'000
Dividends charged to equity in the year	<b>62</b>	303
Dividend per ordinary share paid in year	<b>0.2p</b>	1.0p

## 9. Property, plant and equipment

	Land & freehold property £'000	Plant, equipment & motor vehicles £'000	Total £'000
<b>Cost or valuation</b>			
1 July 2010	9,249	11,798	21,047
Additions	-	423	423
Disposals	-	(557)	(557)
Exchange rate adjustments	-	144	144
1 July 2011	9,249	11,808	21,057
Additions	-	350	350
Disposals	(7,750)	(1,071)	(8,821)
Exchange rate adjustments	-	(93)	(93)
<b>30 June 2012</b>	<b>1,499</b>	<b>10,994</b>	<b>12,493</b>
<b>Depreciation</b>			
1 July 2010	372	9,787	10,159
Charge for the year (including exceptional items)	62	1,066	1,128
Disposals	-	(586)	(586)
Exchange rate adjustments	-	117	117
1 July 2011	434	10,384	10,818
Charge for the year (including exceptional items)	28	778	806
Disposals	(409)	(977)	(1,386)
Exchange rate adjustments	-	(95)	(95)
<b>30 June 2012</b>	<b>53</b>	<b>10,090</b>	<b>10,143</b>
<b>Net book amount</b>			
<b>30 June 2012</b>	<b>1,446</b>	<b>904</b>	<b>2,350</b>
30 June 2011	8,815	1,424	10,239

Disposals during the year include £7.3m relating to the sale of Pickfords Wharf (see note 5b).

## 10. Trade and other receivables

Trade receivables net of provisions at 30 June 2012 were £18.2m (2011: £20.0m) of which £8.9m (30 June 2011: £9.1m) were more than 30 days old but not impaired. These relate to a number of independent UK and overseas customers for whom there is no recent history of default.

Amounts due from customers on long term contracts at 30 June 2012 were £10.2m (2011: £10.5m).

## 11. Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	30 June 2012 £'000	30 June 2011 £'000
Cash at bank	3,977	1,411
Drawdown on invoice discounting facility ( note 13)	(979)	-
<b>Cash and cash equivalents (note 16b)</b>	<b>2,998</b>	<b>1,411</b>

## 12. Trade and other payables

Trade and other payables at 30 June 2012 were £19.2m (2011: £19.5m) of which £3.0m (2011: £3.8m) relate to trade payables.

Amounts due to customers on long term contracts at 30 June 2012 were £7.7m (2011: £7.4m).

## 13. Financial liabilities-borrowings

	<b>30 June 2012</b> <b>£'000</b>	30 June 2011 <b>£'000</b>
<b>Current</b>		
Drawdown on invoice discounting facility (note 11)	979	-
Bank loans	415	1,226
Finance leases	28	39
	<b>1,422</b>	1,265
<b>Non-current</b>		
Bank loans	1,672	8,733
Finance leases	-	31
	<b>1,672</b>	8,764
<b>Total</b>	<b>3,094</b>	10,029

The Group had a term loan totalling £2.1m (2011:£6.2m) disclosed above within Bank loans which is repayable by quarterly instalments until 2017. The term loan is subject to three financial covenants which are tested half yearly.

## 14. Provisions

	Liability insurance claims <b>£'000</b>	Property provisions <b>£'000</b>	Total <b>£'000</b>
At 1 July 2010	<b>2,863</b>	<b>1,392</b>	<b>4,255</b>
Additional provisions	877	-	877
Utilised during the year	(83)	(670)	(753)
Released	(1,438)	(552)	(1,990)
Exchange rate adjustments	189	3	192
Unwinding of discount	6	60	66
<b>At 1 July 2011</b>	<b>2,414</b>	<b>233</b>	<b>2,647</b>
Additional provisions	468	657	1,125
Utilised during the year	(605)	(348)	(953)
Released	(812)	-	(812)
Exchange rate adjustments	(224)	-	(224)
Unwinding of discount	2	(9)	(7)
<b>At 30 June 2012</b>	<b>1,243</b>	<b>533</b>	<b>1,776</b>

Liability insurance claim provisions reflect management's estimate of the likely cost of claims including professional indemnity insurance excesses and has been provided for in accordance with the group's accounting policy. These provisions will be carried forward until the claims to which they relate are agreed and amounts utilised or released as appropriate.

The property provisions relate to rent, rates, service charge and other associated costs relating to properties that are vacant.

## 15. Share capital

The share capital of the Company comprises ordinary shares of 10p each. No shares were issued during the year.

	<b>Issued and fully paid</b>	
	<u>No '000</u>	<u>£'000</u>
At 1 July 2011 and 30 June 2012	<b><u>30,759</u></b>	<b><u>3,076</u></b>

## 16. Notes to the Consolidated Cash Flow Statement

### a) Reconciliation of Profit for the financial year to cash generated from / (used in ) operations

	<b>Unaudited Year ended 30 June 2012 £'000</b>	<b>Audited Year ended 30 June 2011 £'000</b>
<b>Profit for the financial year</b>	<b>621</b>	439
Taxation (credit) /charge	<b>(22)</b>	173
Finance costs payable	<b>603</b>	515
Finance income receivable	<b>(108)</b>	(78)
Amortisation of other intangible assets	<b>596</b>	731
Depreciation	<b>806</b>	1,128
Profit on disposal of PPE and other intangible assets	<b>(4,116)</b>	(12)
Changes in working capital		
Decrease in Trade and other receivables	<b>2,826</b>	2,019
Decrease in Trade and other payables	<b>(407)</b>	(3,531)
Decrease in Provisions	<b>(647)</b>	(1,793)
<b>Cash generated from /(used in) operations</b>	<b><u>152</u></b>	<b><u>(409)</u></b>

### b) Analysis of net debt

	30 June 2011 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	30 June 2012 £'000
Cash at bank	1,411	2,690	-	(124)	<b>3,977</b>
Drawdown on invoice discounting facility	-	(979)	-	-	<b>(979)</b>
<b>Cash and cash equivalents (note 11)</b>	<b>1,411</b>	<b>1,711</b>	<b>-</b>	<b>(124)</b>	<b>2,998</b>
<b>Current</b>					
Bank loans	(1,226)	811	-	-	<b>(415)</b>
Finance leases	(39)	40	(34)	5	<b>(28)</b>
<b>Non-current</b>					
Bank loans	(8,733)	7,061	-	-	<b>(1,672)</b>
Finance leases	(31)	-	31	-	<b>-</b>
<b>Net funds / (debt)</b>	<b><u>(8,618)</u></b>	<b><u>9,623</u></b>	<b><u>(3)</u></b>	<b><u>(119)</u></b>	<b><u>883</u></b>

## **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 Chairman's Statement. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial statements and notes.

The directors have prepared a cashflow forecast and a forecast for covenant compliance to 30 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.

The group has considerable financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. An analysis of the Group's borrowing facilities are disclosed in note 13 'Financial liabilities-borrowings'. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

## **18. Principal risks and uncertainties**

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

## **19. Further information**

Electronic copies of the Annual Report and Financial Statement will be made available on the Group's website [www.watermangroup.com](http://www.watermangroup.com) from 8 November 2012. Additional copies will be available on request from the Company's registered office at Pickfords Wharf, Clink Street, London SE1 9DG.

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.