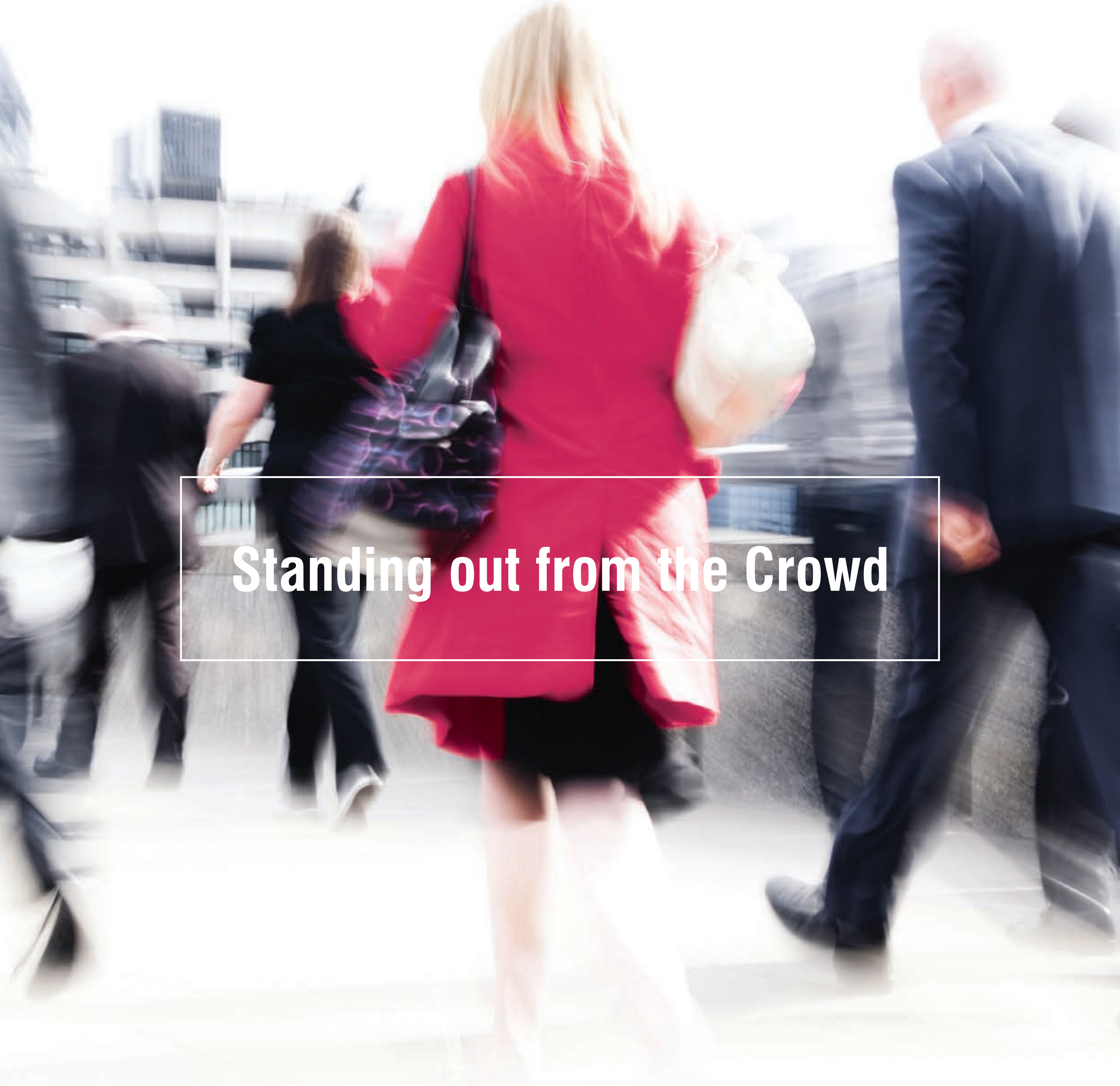
Waterman



# Standing out from the Crowd

## Waterman Group Plc

*Interim Report 2015*

# Contents

# *Interim Financial Highlights*

| | **6 months to 31 December 2015 unaudited** | 6 months to 31 December 2014 unaudited | **Increase from the comparative period** |
|---|---|---|---|
| Revenue | **£45.4m** | £41.4m | +10% |
| Earnings before interest, tax, depreciation amortisation and exceptional items (EBITDA) | **£2.2m** | £1.7m | +29% |
| Profit before tax | **£1.8m** | £1.1m | +64% |
| Adjusted profit before tax* | **£1.8m** | £1.4m | +29% |
| Basic earnings per share | **4.0p** | 2.0p | +100% |
| Adjusted earnings per share* | **4.0p** | 2.6p | +54% |
| Interim dividend per share | **1.2p** | 0.8p | +50% |
| Net funds | **£6.6m** | £3.6m | +83% |
| Adjusted operating profit margin* | **4.1%** | 3.3% | +24% |

- Staff numbers increased to 1,317, up 10% since 31 December 2014 and up 5% since 30 June 2015
- Return on Capital Employed**(ROCE) increased to 44.7% (FY 2015 1st half: 18.8%), exceeding our strategic target published in 2013 to achieve 20% by June 2016.

* Adjusted for exceptional items.

** Return on Capital Employed is calculated as adjusted operating profit divided by average capital employed where capital employed is equity less goodwill less net funds.

# Interim Management Report

We are very pleased to be able to report that Waterman is performing ahead of its three year strategic plan which runs to 30 June 2016 and has already made strong progress towards achieving all, and in the case of ROCE already surpassing, its stated targets. The Group is continuing to deliver significant improvements in its financial performance and increased returns for its shareholders.

A key factor in this success has been Waterman's strategy of focusing on the more established and stable economic markets in the UK, Australia and Ireland which is driving consistent revenue growth and increasing profitability. In the period Waterman generated 90% of its revenue from the UK.

Adjusted operating profit margin increased to 4.1% (2015: 3.3%) which represents strong progress against the Group's most recently reported aspiration of achieving an adjusted operating profit margin of 6.0% by June 2019.

Following on from an excellent performance in 2015, which saw the Group deliver significant total shareholder returns to its investors, the Board is announcing a 50% increase in the interim dividend to 1.2p (2015: 0.8p); this increase reflects the confident outlook for our markets.

Most encouragingly, excluding Funds and AIM, Waterman was the 8th highest growth stock on the London Stock Exchange in 2015.

### Results

Group revenue was £45.4m (2015: £41.4m), up 10%, despite some translational impact arising from the weaker Australian Dollar.

Profit before tax was up 64% to £1.8m (2015: £1.1m) and basic earnings per share doubled to 4.0p (2015: 2.0p),

There were no exceptional items in the period so adjusted profit before tax was also £1.8m, up 29% on the prior period (2015: £1.4m). Adjusted earnings per share before exceptional items were 4.0p (2015: 2.6p), up 54%.

As at 31 December 2015, net assets per share increased to 90p (31 December 2014: 88p) and net funds were £6.6m (31 December 2014: £3.6m, 30 June 2015: £3.8m). Net funds at the period end benefited from early customer receipts ahead of the calendar year end.

Reflecting our disciplined approach to capital allocation and cash management, annualised ROCE has continued to increase significantly up from 30.3% at the last year end to 44.7% (31 December 2014: 18.8%, 30 June 2015: 30.3%), This performance has surpassed the target set in 2013 of achieving 20%.

Working capital days remained stable at 31 days compared to the year end (30 June 2015: 32 days) and significantly better than the prior period end (31 December 2014: 50 days).

### Segment Reviews

### Property Segment

| | FY16 | | FY15 | | |
|---|---|---|---|---|---|
| **Business** | **Revenue £'000** | **Operating profit* £'000** | **Revenue £'000** | **Operating profit /(loss)* £'000** | **Increase/(reduction) in profit £'000** |
| UK Structures | 11,315 | 650 | 10,246 | 557 | 93 |
| UK Building Services | 7,091 | 150 | 5,785 | 254 | (104) |
| Total UK | **18,406** | **800** | **16,031** | **811** | **(11)** |
| Australia | 2,793 | 336 | 3,354 | 456 | (120) |
| Europe | 1,789 | 118 | 1,325 | 72 | 46 |
| **Total** | **22,988** | **1,254** | **20,710** | **1,339** | **(85)** |

The Property segment generated an 11% increase in revenue to £22,988k, with operating profit decreasing by 6% to £1,254k reflecting reduced profits from two of our businesses (UK Building Services and Australia) compared to the prior period.

UK Building Services' revenue grew by 23% during the period and this substantial growth required an additional investment in recruitment costs which reduced profits. The investment made will support future growth in this area.

In Australia, revenue in local currency for the six months was 2.6% below the prior period, with the first four months of the period being 6.7% lower. Additionally, the weakening of the Australian Dollar to UK Pound negatively impacted on the translation of the Australian results into Sterling. The Australian Dollar to UK Pound exchange rate reduced by 7% over the year to 31 December 2015 (2.03 to 1.90). On translation, the change in average exchange rates reduced revenue by £361k (11%) and operating profit by £40k (11%). However, the operating profit margin remains healthy at 12% (2014:14%).

Our UK Structures and Building Services teams have continued to generate new commissions with their combined revenue increasing by 15% to £18,406k. Profits have remained stable at around £800k, with investment continuing in the recruitment of additional staff and design software. A number of new commissions within the Property team are yet to release profits as these are still at the early stages of design.

The Group continues to win and deliver exciting projects. Friars Walk, a 38,000m$^2$ retail development in Newport, South Wales opened in November 2015 and construction has commenced on the 80,000m$^2$ retail development at Westgate Oxford by Land Securities and The Crown Estate. Waterman designed the structures on both these projects. The prestigious 42,000m$^2$ Victoria Gate retail development in Leeds, on which Waterman are the structures and building services designers, reached a significant milestone with the completion of the highest structural point of the development.

Waterman is the designer for Capital & Counties Properties plc (CapCo) on three of their developments which have commenced on sites around Covent Garden, London. These are all mixed use retail and residential developments with a combined area of over 11,000m$^2$. In addition to these projects, Waterman are assisting CapCo on their masterplan for the 77 acre Earls Court Development in London.

Several commercial projects in the City of London have made significant progress on site during the last six months. In particular, Angel Court by Mitsui Fudosan UK and Stanhope and 1 New Street Square by Land Securities which is pre-let to Deloitte are nearing the completion of the construction of the structure, together the projects have a combined area of 54,000m$^2$.

Our offices in Melbourne and Sydney have continued to win new commissions, particularly in the Healthcare market. We have been appointed to design the building services on the AUD 200m (£96m) Joan Kirner Women's and Children's Hospital in Sunshine which will be the third largest maternity hospital in the State of Victoria. The population of Australia continues to grow and this should present increasing opportunities for our consulting services in the future.

In Ireland, we have been appointed for the redevelopment of the Clerys Building at O'Connell Street, Dublin which is a £50m mixed use scheme for D2Private. Waterman advised Hammerson plc and Allianz Real Estate on their EUR 1.85bn (£1.34bn) acquisition of a portfolio of market-leading retail assets in Dublin from Ireland's National Asset Management Agency ("NAMA").

Waterman also provided engineering and environmental due diligence studies for the £335m acquisition by Hammerson plc of the prestigious Grand Central Shopping Centre in Birmingham. The scheme was developed by Network Rail and Birmingham City Council as part of the £750m New Street Station regeneration project.

### Infrastructure & Environment Segment

| | FY16 | | FY15 | | |
|---|---|---|---|---|---|
| **Business** | **Revenue £'000** | **Operating profit* £'000** | **Revenue £'000** | **Operating profit /(loss)* £'000** | **Increase in profit £'000** |
| Infrastructure & Environment Consulting | 10,783 | 23 | 11,352 | (278) | 301 |
| Highways & Transportation Outsourcing | 11,629 | 579 | 9,290 | 326 | 253 |
| **Total** | **22,412** | **602** | **20,642** | **48** | **554** |

The Infrastructure & Environment segment generated a 9% increase in revenue from £20,642k to £22,412k. Most importantly, operating profit increased over 11 times from £48k to £602k as operating margins increased.

We have made significant progress in turning around our Infrastructure and Environment Consulting business from a loss in the comparative period of the last financial year of £278k to a profit of £23k. The streamlining of the business has resulted in more focused centres of excellence and there are significantly fewer historic commissions passing through the business adversely affecting profitability.

Our Infrastructure and Environment Consulting team remain very active advising clients across all markets including infrastructure, residential, commercial offices, retail and leisure development throughout the UK. Many of these schemes should provide future opportunities for our Structures and Building Services businesses. We continue to provide pre-planning support on major urban regeneration projects in London including Battersea Power Station, Brent Cross and Old Oak Park. More recently, we have advised on the proposed development of the old Shredded Wheat factory site in Welwyn Garden City for Spen Hill Developments Ltd, the redevelopment of Royal Mint Court opposite the Tower of London for Delancey and LRC and the redevelopment of the Elephant and Castle shopping centre for Delancey and APG. We are assisting British Land with engineering and environmental advice for the development of a masterplan for the 46 acre mixed use regeneration of Canada Water.

Waterman Aspen, our specialist Highways and Transportation Outsourcing business, has continued to expand with staff resources increasing by 22%, up 82 to 456. Revenue was up 25% to £11,629k, with operating profit up 78% to £579k

The recent Autumn statement by the UK Government confirms its commitment to invest in highway and transport infrastructure. This bodes well for the continued flow of new projects and commissions.

We have established alliances with other large consultants such as Atkins and AECOM, which have resulted in long term frameworks being won. We are expecting the demand for our services to continue to grow which will increase operating profit margins in future years. We currently provide highways and transportation engineers to over fifty Local Authorities and Highways departments throughout the UK.

## Dividend

In line with the Group's strategy of growing shareholder returns, the Board has decided to increase the dividend to 1.2p per share (2015: 0.8p), up 50%. The dividend will be payable on 15 April 2016 to shareholders on the register on 18 March 2016.

## Outlook

Waterman is on target to exceed its previously declared financial objectives to triple adjusted annual profits before tax to £3.3m over the three year period to 30 June 2016, with a return on capital employed (ROCE) of 20%.

In October 2015, the Board announced a new aspiration to increase the Group adjusted operating profit margin to 6.0% by June 2019. As noted above, the Group's progress against this objective is positive with adjusted operating margins increasing from 3.3% to 4.1% over the last twelve months. The Board expects further progress to be made during the second half of the current financial year and beyond.

The results have benefitted from the Board's strategy of focusing primarily on the UK, where 90% of Waterman's revenue is now generated and this focus is anticipated to continue for the foreseeable future. Waterman's long-standing relationships with blue chip companies continue to generate repeat business year on year and the Board expects this to continue whilst the UK economy is strong.

The Board looks to the future with confidence.

| | |
|---|---|
| Michael Baker<br>Chairman | Nick Taylor<br>Chief Executive |

29th February 2016

# Independent Review Report to Waterman Group plc

# Report on the Half-Yearly Financial Report

**Our conclusion**
We have reviewed the Consolidated Interim Financial Statements, defined below, in the Half-Yearly Financial Report of Waterman Group Plc for the six months ended 31 December 2015. Based on our review, nothing has come to our attention that causes us to believe that the Consolidated Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

**What we have reviewed**
The Consolidated Interim Financial Statements, which are prepared by Waterman Group Plc, comprise:

- the Consolidated Balance Sheet as at 31 December 2015;
- the Consolidated Income Statement and Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the Consolidated Interim Financial Statements.

As disclosed in note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Waterman Group Plc is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Consolidated Interim Financial Statements included in the Half-Yearly Financial Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**What a review of Consolidated Interim Financial Statements involves**
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.

We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Consolidated Interim Financial Statements.

# Responsibilities for the Consolidated Interim Financial Statements and the review

**Our responsibilities and those of the directors**
The Half-Yearly Financial Report, including the Consolidated Interim Financial Statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Yearly Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the Consolidated Interim Financial Statements in the Half-Yearly Financial Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
29 February 2016
London

# Consolidated Income Statement

for the six months ended 31 December 2015

| | notes | **Pre-exceptional items £'000** | **Exceptional items (note 6) £'000** | **Unaudited Six months to 31 December 2015 £'000** | Pre-exceptional items £'000 | Exceptional items (Note 6) £'000 | Unaudited Six months to 31 December 2014 £'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | 4 | **45,400** | **-** | **45,400** | 41,352 | - | 41,352 |
| Employee benefits expense | | **(24,525)** | **-** | **(24,525)** | (22,673) | (249) | (22,922) |
| Other operating charges | | **(18,674)** | **-** | **(18,674)** | (17,029) | - | (17,029) |
| **Operating expenses** | | **(43,199)** | **-** | **(43,199)** | (39,702) | (249) | (39,951) |
| **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** | | **2,201** | **-** | **2,201** | 1,650 | (249) | 1,401 |
| Depreciation of property, plant and equipment | 11 | **(323)** | **-** | **(323)** | (229) | - | (229) |
| Amortisation of other intangible assets | 11 | **(22)** | **-** | **(22)** | (34) | - | (34) |
| **Operating profit** | | **1,856** | **-** | **1,856** | 1,387 | (249) | 1,138 |
| Finance costs | | **(61)** | **-** | **(61)** | (53) | - | (53) |
| Finance income | | **16** | **-** | **16** | 18 | - | 18 |
| **Profit before taxation** | | **1,811** | **-** | **1,811** | 1,352 | (249) | 1,103 |
| Taxation | 5 | **(471)** | **-** | **(471)** | (332) | 55 | (277) |
| **Profit after taxation** | | **1,340** | **-** | **1,340** | 1,020 | (194) | 826 |
| **Profit for the financial period** | | **1,340** | **-** | **1,340** | 1,020 | (194) | 826 |
| **Profit attributable to:** | | | | | | | |
| Owners of the Parent | | **1,234** | **-** | **1,234** | 793 | (188) | 605 |
| Non - Controlling interests | | **106** | **-** | **106** | 227 | (6) | 221 |
| | | **1,340** | **-** | **1,340** | 1,020 | (194) | 826 |
| **Earnings per share** | | | | | | | |
| Basic and diluted earnings per share | 7 | | | **4.0p** | | | 2.0p |

# Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2015

| | **Unaudited Six months to 31 December 2015 £'000** | Unaudited Six months to 31 December 2014 £'000 |
|---|---|---|
| **Profit for the financial period (see above)** | **1,340** | 826 |
| **Other comprehensive income / (loss):** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Currency translation adjustments | **22** | (467) |
| Employee Benefit Trust profit | **22** | 1 |
| Change in valuation of own shares held by Employee Benefit Trust | **(22)** | (1) |
| **Total of items that may be reclassified subsequently to profit or loss** | **22** | (467) |
| **Other comprehensive profit for the period, net of tax:** | **22** | (467) |
| **Total comprehensive profit for the period** | **1,362** | 359 |
| **Total comprehensive profit attributable to:** | | |
| Owners of the Parent | **1,239** | 306 |
| Non - Controlling interests | **123** | 53 |
| | **1,362** | 359 |

# Consolidated Balance Sheet

as at 31 December 2015

| | notes | **Unaudited As at 31 December 2015 £'000** | Unaudited As at 31 December 2014 (restated) £'000 | Audited As at 30 June 2015 £'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non - current assets** | | | | |
| Goodwill | *10* | **15,720** | 15,992 | 15,683 |
| Other intangible assets | *11* | **92** | 118 | 73 |
| Property, plant and equipment | *11* | **3,294** | 2,873 | 3,107 |
| Loan and receivables | | **10** | 10 | 10 |
| Deferred taxation asset | | **1,200** | 1,378 | 1,405 |
| | | **20,316** | 20,371 | 20,278 |
| **Current assets** | | | | |
| Trade and other receivables | *12* | **29,933** | 31,892 | 31,458 |
| Cash at bank | | **7,809** | 4,661 | 5,419 |
| | | **37,742** | 36,553 | 36,877 |
| **Total assets** | | **58,058** | 56,924 | 57,155 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | *13* | **(26,144)** | (25,610) | (26,075) |
| Financial liabilities - borrowings | *14* | **(668)** | (449) | (715) |
| | | **(26,812)** | (26,059) | (26,790) |
| **Non - current liabilities** | | | | |
| Financial liabilities - borrowings | *14* | **(582)** | (575) | (939) |
| Provisions | *15* | **(2,377)** | (2,002) | (1,949) |
| | | **(2,959)** | (2,577) | (2,888) |
| **Total liabilities** | | **(29,771)** | (28,636) | (29,678) |
| **Net assets** | | **28,287** | 28,288 | 27,477 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital | *16* | **3,076** | 3,076 | 3,076 |
| Share premium reserve | | **11,881** | 11,881 | 11,881 |
| Merger reserve | | **3,144** | 3,144 | 3,144 |
| Revaluation reserve | | **598** | 598 | 598 |
| Retained earnings | | **9,032** | 8,300 | 8,161 |
| | | **27,731** | 26,999 | 26,860 |
| Non - Controlling interests | | **556** | 1,289 | 617 |
| **Total equity** | | **28,287** | 28,288 | 27,477 |

# Consolidated Cash Flow Statement

for the six months ended 31 December 2015

| | notes | **Unaudited Six months to 31 December 2015 £'000** | Unaudited Six months to 31 December 2014 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Continuing operations: | | | |
| Cash generated from operations (see below) | | **3,898** | 3,270 |
| Interest paid | | **(61)** | (53) |
| Taxation paid | | **(203)** | (193) |
| Discontinued operations | *8* | **(154)** | (109) |
| **Net cash from operating activities** | | **3,480** | 2,915 |
| | | | |
| **Cash flows from investing activities** | | | |
| Continuing operations: | | | |
| Purchase of property, plant and equipment (PPE) and other intangible assets | | **(548)** | (492) |
| Interest received | | **16** | 18 |
| **Net cash (used in) investing activities** | | **(532)** | (474) |
| | | | |
| **Cash flows from financing activities** | | | |
| Continuing operations: | | | |
| Repayment of borrowing | | **(331)** | (220) |
| Equity dividends paid to Non - Controlling Interests | | **(184)** | (258) |
| **Net cash (used in) financing activities** | | **(515)** | (478) |
| | | | |
| **Net increase in cash, cash equivalents and bank overdrafts** | | **2,433** | 1,963 |
| **Cash and cash equivalents at start of period** | | **5,346** | 2,858 |
| Exchange rate gains / (losses) | | **30** | (160) |
| | | | |
| **Cash and cash equivalents at end of period** | *18* | **7,809** | 4,661 |

**Reconciliation of profit for the financial period to cash generated from continuing operations**

| | **Unaudited Six months to 31 December 2015 £'000** | Unaudited Six months to 31 December 2014 £'000 |
|---|---|---|
| **Profit before taxation** | **1,811** | 1,103 |
| Interest payable | **61** | 53 |
| Interest receivable | **(16)** | (18) |
| Amortisation of other intangible assets | **22** | 34 |
| Depreciation | **323** | 229 |
| Loss on disposal of PPE and other intangible assets | **-** | (4) |
| Changes in working capital | | |
| Decrease in Trade and other receivables | **2,020** | 499 |
| (Decrease) / increase in Trade and other payables | **(707)** | 901 |
| Increase in Provisions | **384** | 473 |
| **Cash generated from Continuing operations** | **3,898** | 3,270 |

The amounts due from customers on long term contracts and the amounts due to customers on long term contracts for the prior year have been restated from work order level to contract level to ensure a consistent method of calculation to the current year (see note 2). The changes in working capital for the prior year have been similarly restated.

# Consolidated Statement of Changes in Equity (Unaudited)

as at 31 December 2015

| | 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** |
|---|---|---|---|---|---|---|---|---|
| | **Attributable to the owners of the parent** | | | | | | | |
| **Balance at 1 July 2014** | **3,076** | **11,881** | **3,144** | **598** | **8,178** | **26,877** | **1,494** | **28,371** |
| Currency translation adjustments | - | - | - | - | (299) | (299) | (168) | **(467)** |
| Change in valuation of own shares held by Employee Benefit Trust | - | - | - | - | (1) | (1) | - | **(1)** |
| Employee Benefit Trust Profit | - | - | - | - | 1 | 1 | - | **1** |
| **Other comprehensive expense** | - | - | - | - | (299) | (299) | (168) | **(467)** |
| Profit for the financial period | - | - | - | - | 605 | 605 | 221 | **826** |
| **Total comprehensive income** | - | - | - | - | 306 | 306 | 53 | **359** |
| Dividend | - | - | - | - | (184) | (184) | (258) | **(442)** |
| **Balance at 31 December 2014** | **3,076** | **11,881** | **3,144** | **598** | **8,300** | **26,999** | **1,289** | **28,288** |
| Currency translation adjustments | - | - | - | - | (346) | (346) | (169) | **(515)** |
| Acquisition of non-controlling interests | - | - | - | - | (304) | (304) | (570) | **(874)** |
| Change in valuation of own shares held by Employee Benefit Trust | - | - | - | - | (17) | (17) | - | **(17)** |
| Employee Benefit Trust profit | - | - | - | - | 17 | 17 | - | **17** |
| **Other comprehensive expense** | - | - | - | - | (650) | (650) | (739) | **(1,389)** |
| Profit for the financial period | - | - | - | - | 756 | 756 | 192 | **948** |
| **Total comprehensive income / (expense)** | - | - | - | - | 106 | 106 | (547) | **(441)** |
| Dividend | - | - | - | - | (245) | (245) | (125) | **(370)** |
| **Balance at 30 June 2015** | **3,076** | **11,881** | **3,144** | **598** | **8,161** | **26,860** | **617** | **27,477** |
| Currency translation adjustments | - | - | - | - | 5 | 5 | 17 | **22** |
| Change in valuation of own shares held by Employee Benefit Trust | - | - | - | - | (22) | (22) | - | **(22)** |
| Employee Benefit Trust profit | - | - | - | - | 22 | 22 | - | **22** |
| **Other comprehensive income** | - | - | - | - | 5 | 5 | 17 | **22** |
| Profit for the financial period | - | - | - | - | 1,234 | 1,234 | 106 | **1,340** |
| **Total comprehensive income** | - | - | - | - | 1,239 | 1,239 | 123 | **1,362** |
| Dividend | - | - | - | - | (368) | (368) | (184) | **(552)** |
| **Balance at 31 December 2015** | **3,076** | **11,881** | **3,144** | **598** | **9,032** | **27,731** | **556** | **28,287** |

# Notes to Financial Statements
# for the six months ended 31 December 2015

### *1. General information*

The Group is a multidisciplinary consultancy providing sustainable solutions to meet the planning, engineering design and project delivery needs of the property, infrastructure, environment and energy markets.

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.

This Half - Yearly Financial Report was approved for issue on 29 February 2016.

This Half - Yearly Financial Report does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2015 were approved by the Board of Directors on 30 October 2015 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

This Half - Yearly Financial Report has been reviewed but not audited by the company's independent auditors, PricewaterhouseCoopers LLP.

On 1 April 2015, Waterman Group plc purchased the remaining 20% of the issued share capital in Waterman International (Asia) Pty Ltd from retiring director and minority shareholder Mr John North. The consideration of AUD1.6m (£0.82m) was settled in cash and funded by a four year AUD 1.6m term loan. Waterman Group plc now directly owns 100% of Waterman International (Asia) Pty Ltd (previously 80%) and indirectly owns 100% of Waterman AHW Pty Ltd (previously 80%) and 51% of Waterman AHW (Vic) Pty Ltd (previously 40.8%).

### *2. Basis of Preparation*

This Half – Yearly Financial Report for the six months ended 31 December 2015 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU).This Half - Yearly Financial Report should be read in conjunction with the Annual Report and Financial Statement for the year ended 30 June 2015, which has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Half - Yearly Financial Report has been prepared in accordance with IFRS as adopted by the EU and those parts of the Companies Act 2006 related to reporting under IFRS that the directors expect to be applicable as at 30 June 2016. IFRS's 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.

There has been no impact due to the implementation of new accounting standards during the period. All of the accounting policies adopted are consistent with those of the audited Financial Statements for the year ended 30 June 2015, as described in those Financial Statements.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. There has been no change to the basis of these estimates since the previous year end.

### Restatement

The amounts due from customers on long term contracts and the amounts due to customers on long term contracts for the prior year have been restated from work order level to contract level to ensure a consistent method of calculation to the current year. The effect of the restatement is shown below:

| | | 31 December 2014<br>Decrease / (increase)<br>£000's |
|---|---|---|
| Amounts due: | From customers on long term contracts | (3,341) |
| | To customers on long term contracts | 3,341 |
| | Impact on net assets | - |

## *3. Accounting Policies*

**Sources of Estimation Uncertainty**
The preparation of the Half-Yearly Financial Report requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed in the paragraph below.

**CRITICAL JUDGMENTS**
The Board considers that the estimates, judgments and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are:

- Contract Accounting: Revenue recognition, the valuation of trade receivables and amounts recoverable on contracts and the assessment of the percentage of completion achieved. The Group assesses contract progress and determines the proportion of contract work completed at the balance sheet date in relation to the proportion of contract work completed at the balance sheet date in relation to the total contract works. This policy requires forecasts to be made on the projected outcomes of projects. These forecasts require assessments and judgments to be made on matters including changes in work scope, changes in costs and costs to completion. While the assumptions made are based on professional judgments, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reporting results;

- Insurance Claims: Provisions in respect of potential liability insurance claims require assessments and judgments to be made of the likelihood of a claim succeeding and an estimate of the quantum. While the assumptions made are based on professional judgments, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reporting results;

- Goodwill is subject to impairment review both annually and when there are indications that the carrying value may not be recoverable (refer to note 10). The carrying value is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Determining whether goodwill is impaired requires an estimation of the value in use of CGU's to which the goodwill has been allocated. The value in use calculation requires an estimate to be made of the timing and amount of future cash flows expected to arise from the CGU and the application of a suitable discount rate to calculate the present value. The discount rates used are based on the Group's weighted average cost of capital adjusted to reflect the specific economic environment of the relevant CGU;

- Deferred Tax: Deferred tax is accounted for on temporary differences using the liability method. Deferred tax assets are only recognised as recoverable if it is judged probable that a future taxable profit will arise against which the temporary differences can be utilised. Deferred tax liabilities will be provided for in full.

## *4. Segmental Reporting*
The Board reviews the Group's internal management accounts in order to analyse performance and allocate resources. Performance was assessed on the basis of operating profit before exceptional items as disclosed in the Consolidated Income Statement. Revenue was reported and assessed on a consistent basis with revenue reported in the Consolidated Income Statement. The Group monitors and reports on the performance of its Property and Infrastructure & Environment ("IE") business segments. The components of each segment have been reported in the segmental reporting note.

| | **Six months ended 31 December 2015** | | | Six months ended 31 December 2014 | | |
|---|---|---|---|---|---|---|
| ***Consolidated Income Statement*** | Property £'000 | I&E £'000 | **Total £'000** | Property £'000 | I&E £'000 | Total £'000 |
| Revenue – total | 27,226 | 23,724 | **50,950** | 24,150 | 21,854 | 46,004 |
| Revenue - internal | (4,238) | (1,312) | **(5,550)** | (3,440) | (1,212) | (4,652) |
| **Revenue** | 22,988 | 22,412 | **45,400** | 20,710 | 20,642 | 41,352 |
| | | | | 1,474 | 176 | 1,650 |
| **EBITDA before exceptional items** | 1,426 | 775 | **2,201** | (135) | (128) | (263) |
| Depreciation and amortisation on computer software | (172) | (173) | **(345)** | 1,339 | 48 | 1,387 |
| **Operating profit pre exceptional items** | 1,254 | 602 | **1,856** | (43) | (206) | (249) |
| Exceptional items | - | - | **-** | 1,296 | (158) | 1,138 |
| **Operating profit post exceptional items** | 1,254 | 602 | **1,856** | | | (35) |
| Net finance costs | | | **(45)** | | | 1,103 |
| **Profit before taxation** | | | **1,811** | | | (277) |
| Taxation | | | **(471)** | | | 826 |
| **Profit after taxation** | | | **1,340** | | | |
| | | | | | | 221 |
| Profit attributable to non-controlling interests | | | **106** | | | 605 |
| **Profit attributable to the owners of the parent** | | | **1,234** | | | |

***Six months ended 31 December 2015***

| | Structures £'000 | Building services £'000 | Australia £'000 | Europe £'000 | **Total Property £'000** | Infrastructure & Environment consulting £'000 | Highways and Transportation outsourcing £'000 | **Total I&E £'000** |
|---|---|---|---|---|---|---|---|---|
| Revenue – total | 15,118 | 7,392 | 2,798 | 1,918 | **27,226** | 12,095 | 11,629 | **23,724** |
| Revenue - internal | (3,803) | (301) | (5) | (129) | **(4,238)** | (1,312) | - | **(1,312)** |
| **Revenue** | 11,315 | 7,091 | 2,793 | 1,789 | **22,988** | 10,783 | 11,629 | **22,412** |
| **EBITDA before exceptional items** | 729 | 193 | 351 | 153 | **1,426** | 107 | 668 | **775** |
| Depreciation and amortisation on computer software | (79) | (43) | (15) | (35) | **(172)** | (84) | (89) | **(173)** |
| **Operating profit / (loss) pre exceptional items** | 650 | 150 | 336 | 118 | **1,254** | 23 | 579 | **602** |
| Exceptional items | - | - | - | - | **-** | - | - | **-** |
| **Operating profit / (loss) post exceptional items** | 650 | 150 | 336 | 118 | **1,254** | 23 | 579 | **602** |

***Six months ended 31 December 2014***

| | Structures £'000 | Building services £'000 | Australia £'000 | Europe £'000 | Total Property £'000 | Infrastructure & Environment consulting £'000 | Highways and Transportation outsourcing £'000 | Total I&E £'000 |
|---|---|---|---|---|---|---|---|---|
| Revenue – total | 13,175 | 6,190 | 3,354 | 1,431 | 24,150 | 12,050 | 9,804 | 21,854 |
| Revenue - internal | (2,929) | (405) | - | (106) | (3,440) | (698) | (514) | (1,212) |
| **Revenue** | 10,246 | 5,785 | 3,354 | 1,325 | 20,710 | 11,352 | 9,290 | 20,642 |
| **EBITDA before exceptional items** | 621 | 288 | 476 | 89 | 1,474 | (201) | 377 | 176 |
| Depreciation and amortisation on computer software | (64) | (34) | (20) | (17) | (135) | (77) | (51) | (128) |
| **Operating profit / (loss) pre exceptional items** | 557 | 254 | 456 | 72 | 1,339 | (278) | 326 | 48 |
| Exceptional items | (2) | (1) | (40) | - | (43) | (206) | - | (206) |
| **Operating profit / (loss) post exceptional items** | 555 | 253 | 416 | 72 | 1,296 | (484) | 326 | (158) |

Since July 2015, trading undertaken by the Environment business unit has been consolidated with the Civil and Transportation consulting business unit to form the Infrastructure and Environment consulting business unit. For the previous year, the segmental performance of these two business units has been consolidated and restated above.

For the prior period, the results of the Other International business unit have been included within the Europe business unit to ensure consistency with the current period.

## *5. Taxation*

The taxation charge, pre-exceptional items, for the 6 months to 31 December 2015 is calculated at 26% of the profit before tax, being the estimated effective rate for the full year (31 December 2014: 25%). The total pre-exceptional tax charge is £471,000 and is made up of £417,000 current tax on current year profits and £54,000 deferred tax being the reversal of the deferred tax asset relating to trading losses. After including exceptional items, the effective tax rate for the period is 26% (31 December 2014: 25%).

The effective tax rate for the period is higher than the UK corporation tax rate for the period of 20.0% (31 December 2014: 20.75%) due principally to the mix of profits between the different Group companies and jurisdictions in which they operate.

### *6. Exceptional Items*

The following is an analysis of the Exceptional Items arising during the period, all of which have been included in the Consolidated Income Statement

| | notes | **Six months ended 31 December 2015 £'000** | Six months ended 30 June 2014 £'000 |
|---|---|---|---|
| **Employee benefits expense** | | | |
| Restructuring costs | *(a)* | **-** | 249 |
| Taxation | *(b)* | **-** | (55) |
| Total exceptional items | | **-** | 194 |

a) Restructuring costs: The 31 December 2014 charge principally comprises of restructuring costs such as redundancy payments incurred by our Infrastructure & Environmental consulting business.
b) Taxation: The 31 December 2014 taxation credit is due to the tax deductibility of the exceptional items.

### *7. Earnings Per Share*

The basic earnings per share has been calculated on the profit or loss attributable to shareholders of the Parent Company and based on the weighted average of 30,725,824 shares in issue during the period and ranking for dividend (31 December 2014: 30,719,574).

| | **Six months ended 31 December 2015 £'000** | **Weighted average number of shares (thousands)** | **Per share amount (pence)** | Six months ended 31 December 2014 £'000 | Weighted average number of shares (thousands) | Per share amount (pence) |
|---|---|---|---|---|---|---|
| **Basic profit per share:** | | | | | | |
| Profit attributable to owners of the parent | 1,234 | 30,726 | **4.0** | 605 | 30,720 | 2.0 |
| Effect of dilutive share schemes | - | - | **-** | - | - | - |
| **Diluted profit per share** | 1,234 | 30,726 | **4.0** | 605 | 30,720 | 2.0 |

The adjusted earnings per share from continuing operations before exceptional items is 4.0p (31 December 2014: 2.6p) as set out below.

| **Earnings from Continuing operations** | **Six months ended 31 December 2015 £'000** | Six months ended 30 June 2014 £'000 |
|---|---|---|
| Profit attributable to the Owners of the Parent | **1,234** | 605 |
| Exceptional items after taxation | **-** | 188 |
| Earnings for the purposes of adjusted EPS | **1,234** | 793 |
| | | |
| Basic and diluted EPS | **4.0p** | 2.0p |
| Adjusted basic and diluted EPS | **4.0p** | 2.6p |

### *8. Discontinued operations*

In July 2013, the Board decided to discontinue trading in the United Arab Emirates (UAE). In January 2014, the Board decided to discontinue trading in Russia. By 30 June 2014 for Russia and by 31 December 2013 for UAE, all revenue generating operations in Russia and the UAE had ceased and these operations were classified as discontinued.

All expenses relating to discontinued operations were charged in the year ended 30 June 2014. No expenses for discontinued operations have been charged during the current period or prior year period.

A net cash outflow from discontinued operations of £154,000 (31 December 2014: £109,000) occurred during the period, principally relating to progressing the liquidation of the legal entities.

### *9. Dividends*

The directors propose an interim dividend of 1.2p per share (30 June 2015: 1.2p and 31 December 2014: 0.8p).

The shares will become ex-dividend on 17 March 2016 and the dividend will be paid on 15 April 2016 to shareholders on the register at the close of business on 18 March 2016.

The final dividend for the year ended 30 June 2015 of 1.2p per share was paid on 8 January 2016 to shareholders on the register at 11 December 2015.

The Employee Benefit Trust has waived its entitlement to dividends which has reduced the 2016 interim dividend payable by £1,568 (2014: £1,045) and the 2015 final dividend paid by £1,568.

| | **Unaudited Six months ended 31 December 2015 £'000** | Unaudited Six months ended 31 December 2014 £'000 |
|---|---|---|
| Dividends charged to equity in the period | **368** | 184 |
| Dividend per ordinary share paid in period | **0.0p** | 0.0p |
| Dividend per ordinary share proposed in period | **1.2p** | 0.8p |

### *10. Goodwill*

| | **31 December 2015 £'000** | 31 December 2014 £'000 |
|---|---|---|
| Cost at 1 July | **16,177** | 16,723 |
| Exchange rate adjustments | **37** | (237) |
| At 31 December | **16,214** | 16,486 |
| Impairment at 1 July and 31 December | **(494)** | (494) |
| Net book amount | **15,720** | 15,992 |

### *11. Capital Expenditure*

| | **PPE and Other intangible assets 31 December 2015 £'000** | PPE and Other intangible assets 31 December 2014 £'000 |
|---|---|---|
| Opening net book amount at 1 July | **3,180** | 2,771 |
| Additions | **547** | 492 |
| Exchange rate adjustments | **4** | (9) |
| Depreciation and amortisation | **(345)** | (263) |
| Closing net book amount at 31 December | **3,386** | 2,991 |

### *12. Trade and Other Receivables*

| | **Group 31 December 2015 £'000** | Group 31 December 2014 (restated) £'000 |
|---|---|---|
| Trade receivables | **21,020** | 23,352 |
| Less: Provision for impairment of receivables | **(2,578)** | (3,460) |
| Trade receivables (net) | **18,442** | 19,892 |
| | | |
| Amounts due from customers on long term contracts | **8,070** | 8,650 |
| Other receivables | **103** | 121 |
| Current tax asset | **-** | 185 |
| Prepayments and accrued income | **3,318** | 3,044 |
| | **29,933** | 31,892 |

The amounts due from customers on long term contracts and the amounts due to customers on long term contracts (note 13) for the prior period have been restated from work order level to contract level to ensure a consistent method of presentation to the current period. The effect of the restatement is shown below:

| | | 31 December 2014 Decrease / (increase) £000's |
|---|---|---|
| Amounts due: | From customers on long term contracts | (3,341) |
| | To customers on long term contracts | 3,341 |
| | Impact on net assets | - |

As of 31 December 2015, trade receivables over 30 days from the date of issue of £12.8m (31 December 2014: £14.2m) were considered for potential impairment. The amount provided for these balances was £2.6m (31 December 2014: £3.5m).

As of 31 December 2015, trade receivables net of provisions of £10.2m (31 December 2014: £10.7m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the date of issue is as follows:

| | **Group 31 December 2015 £'000** | Group 31 December 2014 (restated) £'000 |
|---|---|---|
| Less than 30 days | **-** | - |
| Between 30 and 60 days | **4,628** | 4,883 |
| Between 60 and 90 days | **2,741** | 1,893 |
| Between 90 and 120 days | **748** | 1,161 |
| Greater than 120 days | **2,055** | 2,779 |
| | **10,172** | 10,716 |

### 13. Trade and Other Payables

| | Group 31 December 2015 £'000 | Group 31 December 2014 (restated) £'000 |
|---|---|---|
| Trade payables | **2,570** | 2,752 |
| Amounts due to customers on long term contracts | **14,158** | 13,461 |
| Other taxes and social security | **3,848** | 3,637 |
| Corporation tax payable | **236** | 107 |
| Other payables | **1,427** | 1,350 |
| Accruals | **3,905** | 4,303 |
| | **26,144** | 25,610 |

The amounts due to customers on long term contracts for the prior period have been restated from work order level to contract level (refer to note 12).

### 13. Financial Liabilities - Borrowings

| | Group 31 December 2015 £'000 | Group 31 December 2014 £'000 |
|---|---|---|
| **Current** | | |
| Drawdown on invoice discounting facility | **-** | - |
| Bank loans | **668** | 449 |
| | **668** | 449 |
| **Non - current** | | |
| Bank loans | **582** | 575 |
| **Total** | **1,250** | 1,024 |

The Group has one sterling bank loan which is repayable in January 2017. This loan is at a floating interest rate of 2.75% (2014: 2.75%) above sterling base rate. The Group has one Australian dollar bank loan for AUD 1.6m which is repayable in March 2019. The loan is at a floating interest rate of 2.5% above Australian LIBOR. Both loans are secured by a fixed and floating charge over certain Group assets and are subject to three financial covenants which are tested half yearly.

In August 2015, the terms and conditions of the Invoice Discounting Facility were revised. Significant revisions included an increase in the facility limit to £6m (previously £2.5m), and a reduction in interest margin from 2.75% to 2.25%.

| | Liability Insurance £'000 | Property provisions £'000 | 2015 £'000 | Liability Insurance £'000 | Property provisions £'000 | 2014 £'000 |
|---|---|---|---|---|---|---|
| 1 July | 1,907 | 42 | **1,949** | 1,465 | 84 | 1,549 |
| Charged to the Consolidated Income Statement | 500 | - | **500** | 500 | - | 500 |
| Utilised | (35) | (14) | **(49)** | - | (26) | (26) |
| Released to the Consolidated Income Statement | (28) | - | **(28)** | - | - | - |
| Exchange rate adjustments | 5 | - | **5** | (21) | - | (21) |
| 31 December | 2,349 | 28 | **2,377** | 1,944 | 58 | 2,002 |

Liability insurance provisions represent the Board's estimate of likely costs to be incurred by the Group arising from professional liability claims.

Property provisions relate to rent, rates, service charge and other associated costs relating to office premises that have been wholly or partially vacated before the end of the lease term or before a break clause can be exercised.

These provisions will be carried forward until the matters to which they relate are resolved and the provisions are utilised or released as appropriate. No provision has been released or utilised for any purpose other than that for which it is established.

### *16. 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.

| | Issued and Fully Paid | |
|---|---|---|
| **31 December 2015** and 31 December 2014 | Number '000 | £'000 |
| At 1 July and at 31 December | 30,759 | 3,076 |

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association. On a show of hands, every shareholder present in person or by proxy has one vote and, on a poll, every shareholder present in person or by proxy has one vote for each share which they hold in accordance with the Companies Act 2006.

Under the Company's Long Term Incentive Plan, new ordinary shares may be granted to directors and senior employees (see note 17).

### *17. Share Based Payments*

During the period, the Group had two share based payment arrangements in operation of which further details are set out below:

a) Long Term Incentive Plan (LTIP)
At the AGM held on 5 December 2014, shareholders approved the creation of a new LTIP for Executive Directors and key employees which are to be settled in equity. Under the terms of the LTIP, the right to acquire ordinary shares at no cost will be based on the company's share price as follows:

| Share price target | % of award vesting Executive directors and COO's | % of award vesting Other employees |
|---|---|---|
| 100p | 25% | 50% |
| 115p | 40% | 65% |
| 125p | 50% | 75% |
| 140p | 80% | 90% |
| 150p | 100% | 100% |

The performance conditions may be measured at any time over the five years from the date of grant but awards will not vest until at least three years after the date of grant. A summary of the awards is as follows:

| | |
|---|---|
| Award date | 9 December 2014 |
| Scheme maturity | 10 years |
| Maximum term | 5 years |
| Awards outstanding at 30 June 2015 | 3,000,000 |
| Awards exercisable at 30 June 2015 | Nil |

The Group used the Monte Carlo valuation model to value its LTIP shares using the market price at the date of grant.

b) Share Incentive Plan
On 4 December 2014, the Board approved the creation of a new Share Incentive Plan for the benefit of all qualifying employees. The aim of the SIP is to reward employees for past performance and to incentivise future performance. Awards will be settled from shares already in issue.

In December 2014, an award of 200 free shares per person was made to permanent full time qualifying employees with pro rata awards to part time employees. In total, 95,427 free shares were issued. In January 2016, a similar award was made to qualifying employees and 105,600 free shares were awarded. The shares will be held in trust until the awards vest or an employee leaves the Group's employment.

On 1 April 2015, the Company invited all qualifying UK employees to purchase shares in the Company by entering into a partnership share agreement. Under this agreement, employees may purchase Waterman shares up to a market value of £1,800 in any tax year from their monthly gross salary.

## *18. Analysis of Net Funds*

| | 31 December 2014 £'000 | 30 June 2015 £'000 | Cash flow £'000 | Other non -cash changes £'000 | Exchange movements £'000 | **31 December 2015 £'000** |
|---|---|---|---|---|---|---|
| Cash at bank | 4,661 | 5,419 | 2,360 | - | 30 | **7,809** |
| Drawdown on invoice discounting facility | - | (73) | 73 | - | - | **-** |
| **Cash and cash equivalents** | 4,661 | 5,346 | 2,433 | - | 30 | **7,809** |
| **Current** | | | | | | |
| Bank loans | (449) | (642) | 331 | (357) | - | **(668)** |
| **Non - current** | | | | | | |
| Bank loans | (575) | (939) | - | 357 | - | **(582)** |
| **Net funds** | 3,637 | 3,765 | 2,764 | - | 30 | **6,559** |

At 31 December 2015, £1.1m (2014: £1.9m) of the cash and cash equivalents were held in subsidiaries not wholly owned by the Group of which £0.6m (2014: £0.8m) was attributable to the non-controlling interests.

## *19. Going Concern*

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Half-Yearly Financial Report.

The Directors have prepared a cash flow forecast and a forecast for covenant compliance to 30 June 2017. The financial covenants allow for a sensible tolerance in trading performance in relation to the forecasts. The Directors are confident that the underlying forecasts are reasonable. The Group is reliant on the ability of customers to pay debts and on the timing of projects coming on line. In adverse circumstances the Board has a number of mitigating actions it could take to seek 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 14 Financial liabilities – borrowings. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

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 consider it is appropriate to continue to adopt the going concern basis in the preparing the unaudited Interim Report and Consolidated Financial Statements. As with all business forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

## *20. Principal Risks and Uncertainties*

The principal risks and uncertainties affecting the business activities of the Group remain broadly the same as at 30 June 2015 as disclosed and described on pages 47 to 50 of the Annual Report & Financial Statement 2015. These risks and uncertainties are expected to be unchanged for the next six months.

## *21. Related Party Transactions*

Details of the directors' shareholdings, share options and remuneration are disclosed in the Annual Report & Financial Statement 2015. It is not considered meaningful to disclose this information at the half year.

## *22. Events Occurring After the Reporting Period*

Dividends: details of the interim dividend proposed are given in note 9.

## *23. Further Information*

Electronic copies of the Half-Yearly Financial Report to 31 December 2015 and the Annual Report & Financial Statement to 30 June 2015 can be viewed on the Group's website www.watermangroup.com. Copies of these reports will also be available 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.

# Statement of Directors' Responsibilities

The directors confirm that this Half-Yearly Financial Report been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and that the Half-Yearly Financial Report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- An indication of important events that have occurred during the first six months and their impact on the Consolidated Interim Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Waterman Group Plc are listed in the Waterman Group Plc Annual Report and Financial Statement to 30 June 2015. There have been no changes during the first six months of the financial year. 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
29 February 2016

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