



Waterman Group Plc

Interim Report 2016

Contents

Interim Financial Highlights

	6 months to 31 December 2016 unaudited from continuing operations	6 months to 31 December 2015 unaudited	**Increase from the comparative period**
Revenue	**£45.7m**	£45.4m	+1%
Earnings before interest, tax, depreciation amortisation and exceptional items (EBITDA)	**£2.3m**	£2.2m	+5%
Profit before tax	**£1.8m**	£1.8m	Unchanged
Earnings per share	**3.6p**	4.0p	-10%
Operating profit margin	**4.1%**	4.1%	Unchanged
Net funds	**£6.7m**	£6.6m	+2%
Return on Capital Employed*	**56.3%**	44.7%	+26%
Interim dividend per share	**1.6p**	1.2p	+33%

* 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 pleased to report that Waterman has experienced a positive trading period with Interim Results generally in line with the prior year comparable period and consistent with market forecasts for the year to 30 June 2017 as a whole.

Group revenue increased by 1% to £45.7m. Whilst the Group has experienced a 3% reduction in UK activity, this has been countered by a 34% increase in workload (10% increase at constant exchange rates) in Australia and Ireland where the markets are strong.

Operating profit margin was 4.1% (2016: 4.1%) and the Board remains committed to its aspiration to increase the Group's adjusted operating profit margin towards 6.0% by June 2019.

Profit for the financial period increased by 31% to £1.7m (2016: £1.3m) following a credit of £0.3m from discontinued operations in prior years.

Waterman's cash position has remained robust with net funds of £6.7m (2016: £6.6m) and as a result the Board is announcing a 33% increase in the interim dividend to 1.6p (2016: 1.2p).

Financial Performance

Group revenue was £45.7m (2016: £45.4m), an increase of 1%, and in line with the Board's expectations.

Profit before tax was £1.8m (2016: £1.8m).

Earnings per share from continuing operations were 3.6p (2016: 4.0p). The reduction in earnings reflects the increased contribution from our partially owned Australian operations.

As at 31 December 2016, net assets per share increased to 98p (31 December 2015: 92p) and, as noted above, net funds were £6.7m (31 December 2015: £6.6m, 30 June 2016: £5.5m).

Working capital days were 38 days compared to the year end 30 June 2016: 38 days and the prior period end 31 December 2015: 31 days. The Board considers anything below 60 days to be a satisfactory position. Annualised ROCE has continued to increase significantly, up from 46.5% at the last year end to 56.3% (31 December 2015: 44.7%).

Segment Reviews

Our two segments are Property and Infrastructure & Environment.

The two segments have suffered differing fortunes with Property revenue reducing by £0.5m (2%) and Infrastructure & Environment revenue increasing by £0.8m (4%).

In the UK, Waterman's Property and Infrastructure & Environment operations have together generated revenue of £39.5m (2016: £40.8m) which is 3% less than the prior year and operating profits of £1.2m (2016: £1.9m) which is 37% less than the prior year period, in part due to lower Property operating margins.

Waterman generates 87% of the Group revenue from the UK where we operate from eleven offices with a presence in most major cities. The main markets are shown by the percentage of the £39.5m UK revenue:

Highways	32%
Retail	20%
Commercial offices	18%
Residential	12%
Education	6%

Overseas, Waterman operations in Australia (Melbourne and Sydney) and Europe (Dublin and Warsaw) are solely involved in the Property markets. They have delivered a combined revenue of £6.2m (2016: £4.6m), a growth of 34% (10% increase at constant exchange rates). Operating profits increased to £0.9m (2016: £0.5m), up 80% (63% increase at constant exchange rates).

Property Segment

	H1 FY17		H1 FY16		
Business	Revenue £'000	Operating profit* £'000	Revenue £'000	Operating profit* £'000	Increase/(reduction) in profit £'000
United Kingdom	16,311	579	18,406	1,272	(693)
Australia	3,825	696	2,793	336	360
Europe	2,326	217	1,789	118	99
Total	22,462	1,492	22,988	1,726	(234)

*Operating profit is before the charge of liability insurance provisions.

The Property segment, which generates 49% of Group revenue, has experienced a more challenging period in the UK (particularly Building Services in London), whereas Australia and Europe have seen strong increases in their performance, as noted above.

The UK Property team are involved in the Structural and Building Services engineering design of buildings in the private and public sector. These commissions will either be secured on a single discipline or multi discipline appointment in markets such as retail, residential, commercial offices, schools, hospitals, hotels and industrial/manufacturing premises.

Waterman's UK Structural team have continued to perform well, securing new commissions from a range of clients including British Land, Land Securities, Hammerson, Lend Lease, AVIVA, Berkeley, Barratt and Kier. Whilst our Building Services team in London have suffered from delayed starts to projects in the commercial and residential markets during the first half of the financial year, it is anticipated that the situation will improve during 2017. Outside London, the regional offices have performed better with a wider range of projects in the education, performing arts, leisure, student accommodation and healthcare markets.

Recent UK commissions include Teddington Studios and Mortlake Stag Brewery sites in West London, two residential developments in prime riverside locations extending in total to over 26.5 acres. We continue to assist Canary Wharf Group with their plans for a further phase of the overall Canary Wharf development which is likely to involve over 200,000m^2 of mixed use buildings.

The 80,000m^2 Westgate retail centre in Oxford for Land Securities and The Crown Estate is currently being constructed on site. We are progressing with detailed designs for the Bluewater Plaza Development, Dartford, for Land Securities and the 10,000m^2 extension to Touchwood shopping centre, Solihull, for Lend Lease.

Our offices in Melbourne and Sydney have continued to win new commissions, particularly in the healthcare, judicial, residential and telecommunications markets. Waterman are currently working for Westpac Bank and Commonwealth Bank on their frameworks for upgrading their existing high street retail outlets and for Aldi on their store refurbishment programme. The population of Australia has grown significantly over the last decade and there is an increasing need for social infrastructure where Waterman has significant expertise. The population of Australia is also aging and we are receiving more commissions for private and public funded care facilities for the elderly.

In Ireland, Waterman has designed the tallest and largest building project in Dublin which is currently undergoing construction. This speculative development by Kennedy Wilson provides 60,000m^2 of commercial and residential space. The Irish economy has been the fastest growing in the Eurozone for the last three years and unemployment has fallen from 15% in 2012 to 7.2% in 2016. Waterman is benefiting from the increasing demand for consulting engineering services for development in the residential, commercial offices, retail and leisure markets.

Waterman have teamed up with Stanhope and Mitsui Fudosan in a UK pilot of NABERS (National Australian Built Environmental Rating System) on the recently completed new Angel Court development, a 27,000m^2 office building in the City of London previously designed by Waterman. This study will assess over a twelve month period the energy use within the completed building and compare that to the design parameters. The building will then be verified by an investment grade rating using the measured data. Our London and Australian teams are both involved in this initiative.

Infrastructure & Environment Segment

	H1 FY17		H1 FY16		
Business	Revenue £'000	Operating profit* £'000	Revenue £'000	Operating profit* £'000	Reduction in profit £'000
United Kingdom	23,219	585	22,412	602	(17)
Total	23,219	585	22,412	602	(17)

*Operating profit is before the charge of liability insurance provisions.

The Infrastructure & Environment teams operate throughout the UK, with a greater regional presence than our Property operation. During the period the Infrastructure & Environment segment generated a 4% increase in revenue from £22,412k to £23,219k. The operating profit reduced by 3% from £602k to £585k following investment in the recruitment of several senior individuals to further expand our revenue from public sector frameworks and highways infrastructure.

The Infrastructure & Environment segment comprises teams providing consultancy advice on development and civil engineering projects and an outsourcing operation which seconds over 430 specialist highways and transportation engineers to clients involved in public sector infrastructure throughout the UK.

Waterman has several long term frameworks to provide consultancy and secondment resources to many Local Authority engineering departments. During the last six months we have been appointed on a new four year framework for Swindon Borough Council and are currently discussing a two year extension to London Borough of Bexley framework where we have been providing services on the existing framework for 21 years.

Waterman's pre-planning team which provides Environmental Impact Assessments and sustainability advice on developments has been particularly busy over the last six months. Since the European Referendum in June 2016, we have experienced an increase in activity by our clients. We are currently involved in Battersea Power Station for the Battersea Power Station Company, British Land's masterplan for Canada Water, Ballymore's Leamouth South scheme, Old Oak Park for Car Giant and London & Regional and Brent Cross, Cricklewood for Hammerson and Standard Life. These are all significant developments and they will provide future opportunities for our Property teams.

Waterman's outsourcing team provide a tailored service to our public sector clients who require specialist engineers to work within their teams. We have commenced a programme to diversify this successful business model into new areas, such as water and environmental services, as well as continuing to target our existing highways and transportation markets. We have made good progress and have secured initial secondments into Natural Resource Wales and the Environment Agency.

Dividend

In line with the Group's strategy of growing shareholder returns, the Board has increased the interim dividend to 1.6p per share (2016: 1.2p) up 33%. The dividend will be payable on 18 April 2017 to shareholders on the register on 17 March 2017.

Board

Michael Strong was appointed as Non Executive Director following the retirement of Geoff Wright at the end of the Annual General Meeting on 9 December 2016.

Michael was also appointed Chairman of the Remuneration Committee and Member of the Audit and Risk Committee and the Nomination Committee.

Michael was previously employed by CBRE, the US publicly quoted company and leading real estate adviser, which he joined in 1972. He was Chief Executive Officer and President of Europe, Middle East and Africa (EMEA) from 2005 until 2012 and Executive Chairman for EMEA from 2001 until December 2015. During the 15 year period when Michael led the EMEA business, employee numbers grew from 1,500 to 11,000 through the successful implementation of organic and acquisitive growth strategies.

Currently, Michael is a Non Executive Director of NHS Property Services Limited where he chairs the Asset and Investment Committee and is a member of the Remuneration Committee. He is also a Non Executive Director at GCHO Holdings Limited, the parent of Geoffrey Osborne Limited which is a private company involved in construction development and investment activities.

We are delighted to welcome Michael to the Board and his diverse experience brings a breadth of expertise which will be of considerable value to our business.

On behalf of the Board, I would like to take the opportunity to thank Geoff Wright for his valuable contribution over the last ten years.

Outlook

The Board anticipates that the Group will continue to experience a stable trading outlook overall with revenue, profit and operating margin generally in line with the prior year.

Whilst trading conditions in the UK are expected to remain challenging, it is encouraging that Waterman continues to win exciting and varied projects across many sectors. We have recently announced the following commissions:

- Waterman has been appointed to the Ministry of Defence's Army Basing Programme delivered by Aspire Defence to complete, by 2020, 130 new buildings and over 2,600 additional bed spaces for single soldiers at new and enhanced garrison facilities at Bulford, Tidworth, Perham Down and Larkhill across Salisbury Plain and at Aldershot. The value of the construction programme is anticipated to be approximately £680 million and Waterman is involved in over 50% of the works.

- We have been instructed to progress scheme and tender information for the planned 90,000m^2 extension to the Brent Cross shopping centre in London for Hammerson and Standard Life. This exciting new development continues our involvement in large retail projects throughout the UK where we have recently been the designers for the 40,000m^2 Victoria Gate Centre, Leeds for Hammerson which opened in October 2016 and the 80,000m^2 Westgate Centre, Oxford for Land Securities and The Crown Estate which will open in Autumn this year.

- As part of the Priority Schools Building Programme, PSBP2, Waterman has been appointed by Turner & Townsend to provide technical advice for the feasibility studies of each school. Under PSBP2 the Government is aiming to improve and refurbish 278 schools by 2021. Waterman's involvement will be nationwide and cover approximately one quarter of the schools.

In addition, Waterman Aspen, our specialist Highways and Transportation outsourcing business, is anticipating an uplift in secondment activity following the announcement in the Autumn Statement by the UK Government confirming its commitment to invest over £1.3bn to ease congestion on the country's roads. Of particular note is that included within this investment is £1.1bn for the upgrade of local roads. Waterman currently provides engineers on secondment to over fifty County, City and Borough Councils throughout the UK as well as Highways England and Transport for Scotland.

Overseas, the contribution towards Group results from Waterman's offices in Australia and Ireland is expected to increase due to improved performance. The markets in these two countries are particularly buoyant with investment in public social infrastructure such as hospitals, schools and prisons, and in the private sector in residential, commercial and retail development.

Waterman has a strong focus on working capital management. The Board's aspiration is to continue to increase dividends payable to shareholders consistent with the cash generative nature of our business.

Whilst 2017 is proving, as we expected, to be a period of consolidation, beyond that the Board looks to the future with measured optimism.

Michael Baker
Chairman

Nick Taylor
Chief Executive

Independent Review Report to Waterman Group plc
Report on the Consolidated Interim Financial Statement

Our conclusion

We have reviewed Waterman Group plc's Consolidated Interim Financial Statements (the "interim financial statements") in the Half-Yearly Financial Report of Waterman Group plc for the 6 month period ended 31 December 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 31 December 2016;
- the Consolidated Income Statement and Consolidated 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 interim financial statements.

The 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half-Yearly Financial Report, including the 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the 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 Guidance and Transparency Rules sourcebook of the United Kingdom's 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.

What a review of 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 interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
28 February 2017

Consolidated Income Statement

for the six months ended 31 December 2016

	notes	**Unaudited Six months to 31 December 2016 £'000**	Unaudited Six months to 31 December 2015 £'000
Revenue	4	**45,681**	45,400
Employee benefits expense	5	**(26,871)**	(24,525)
Other operating charges		**(16,530)**	(18,674)
Operating expenses		**(43,401)**	(43,199)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**2,280**	2,201
Depreciation of property, plant and equipment	11	**(408)**	(323)
Amortisation of other intangible assets	11	**(20)**	(22)
Operating profit		**1,852**	1,856
Finance costs		**(35)**	(61)
Finance income		**11**	16
Profit before taxation		**1,828**	1,811
Taxation	6	**(457)**	(471)
Profit before taxation from Continuing operations		**1,371**	1,340
Credit for the period from Discontinued operations in prior years	7	**307**	-
Profit for the financial period		**1,678**	1,340
Profit attributable to:			
Owners of the Parent		**1,406**	1,234
Non - Controlling Interests		**272**	106
		1,678	1,340
Earnings per share from Continuing operations			
Basic and diluted earnings per share	8	**3.6p**	4.0p
Earnings per share from Continuing and Discontinued operations			
Basic and diluted earnings per share	8	**4.6p**	4.0p

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2016

	Unaudited Six months to 31 December 2016 £'000	Unaudited Six months to 31 December 2015 £'000
Profit for the financial period (see above)	**1,678**	1,340
Other comprehensive income / (loss):		
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustments	**(39)**	22
Employee Benefit Trust profit	**7**	22
Change in valuation of own shares held by Employee Benefit Trust	**(7)**	(22)
Total of items that may be reclassified subsequently to profit or loss	**(39)**	22
Other comprehensive profit for the period, net of tax:	**(39)**	22
Total comprehensive profit for the period	**1,639**	1,362
Total comprehensive profit attributable to:		
Owners of the Parent	**1,225**	1,239
Non - Controlling interests	**414**	123
	1,639	1,362
Total Comprehensive profit attributable to Owners of the Parent arising from:		
Continuing operations	**918**	1,239
Discontinued operations	**307**	-
	1,225	1,239

Consolidated Balance Sheet

as at 31 December 2016

	notes	**Unaudited As at 31 December 2016 £'000**	Unaudited As at 31 December 2015 £'000	Audited As at 30 June 2016 £'000
ASSETS				
Non - current assets				
Goodwill	10	**16,499**	15,720	16,225
Other intangible assets	11	**60**	92	78
Property, plant and equipment	11	**2,396**	3,294	2,567
Investments		**10**	10	10
Deferred taxation asset		**1,309**	1,200	1,219
		20,274	20,316	20,099
Current assets				
Trade and other receivables	12	**30,152**	29,933	30,803
Cash at bank		**7,366**	7,809	7,706
		37,518	37,742	38,509
Total assets		**57,792**	58,058	58,608
LIABILITIES				
Current liabilities				
Trade and other payables	13	**(24,887)**	(26,144)	(25,146)
Financial liabilities - borrowings	14	**(322)**	(668)	(1,829)
		(25,209)	(26,812)	(26,975)
Non - current liabilities				
Financial liabilities - borrowings	14	**(328)**	(582)	(428)
Provisions	15	**(2,250)**	(2,377)	(2,035)
		(2,578)	(2,959)	(2,463)
Total liabilities		**(27,787)**	(29,771)	(29,438)
Net assets		**30,005**	28,287	29,170
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT				
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	-
Retained earnings		**10,779**	9,032	10,101
		28,880	27,731	28,202
Non - Controlling interests		**1,125**	556	968
Total equity		**30,005**	28,287	29,170

Consolidated Cash Flow Statement

for the six months ended 31 December 2016

	notes	**Unaudited Six months to 31 December 2016 £'000**	Unaudited Six months to 31 December 2015 (Restated) £'000
Cash flows from operating activities			
Continuing operations:			
Cash generated from operations (see below)		**1,746**	3,825
Interest paid		**(35)**	(61)
Taxation paid		**(111)**	(203)
Discontinued operations	7	**(26)**	(78)
Net cash from operating activities		**1,574**	3,483
Cash flows from investing activities			
Continuing operations:			
Purchase of property, plant and equipment (PPE) and other intangible assets		**(222)**	(548)
Interest received		**11**	16
Proceeds from sale of property, plant and equipment		**(3)**	-
Net cash (used in) investing activities		**(214)**	(532)
Cash flows from financing activities			
Continuing operations:			
Repayment of borrowing		**(328)**	(331)
Equity dividends paid to Non - Controlling Interests		**(257)**	(184)
Net cash (used in) financing activities		**(585)**	(515)
Net increase in cash, cash equivalents and bank overdrafts		**775**	2,436
Cash and cash equivalents at start of period		**6,428**	5,343
Exchange gain / (loss) on cash and cash equivalents		**163**	30
Cash and cash equivalents at end of period	18	**7,366**	7,809

The cash flow from discontinued operations in the prior period has been restated to be consistent with the basis used in the current period.

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

	Unaudited Six months to 31 December 2016 £'000	Unaudited Six months to 31 December 2015 £'000
Profit before taxation from Continuing operations	**1,828**	1,811
Interest payable	**35**	61
Interest receivable	**(11)**	(16)
Amortisation of other intangible assets	**20**	22
Depreciation	**408**	323
Changes in working capital		
Decrease in Trade and other receivables	**247**	2,020
(Decrease) / increase in Trade and other payables	**(976)**	(780)
Increase in Provisions	**195**	384
Cash generated from Continuing operations (see above)	**1,746**	3,825

Consolidated Statement of Changes in Equity (Unaudited)

as at 31 December 2016

	Attributable to the owners of the parent							
	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Revaluation Reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling Interest £'000	**Total equity £'000**
Balance at 1 July 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**
Currency translation adjustments	-	-	-	-	334	**334**	261	**595**
Impairment of land and freehold property	-	-	-	(598)	-	**(598)**	-	**(598)**
Other comprehensive (expense) /income	-	-	-	(598)	334	**(264)**	261	**(3)**
Profit for the financial period	-	-	-	-	1,102	**1,102**	248	**1,350**
Total comprehensive (expense)/ income	-	-	-	(598)	1,436	**838**	509	**1,347**
Dividend	-	-	-	-	(367)	**(367)**	(97)	**(464)**
Balance at 30 June 2016	3,076	11,881	3,144	-	10,101	**28,202**	968	**29,170**
Currency translation adjustments	-	-	-	-	(181)	**(181)**	142	**(39)**
Change in valuation of own shares held by Employee Benefit Trust	-	-	-	-	(7)	**(7)**	-	**(7)**
Employee Benefit Trust profit	-	-	-	-	7	**7**	-	**7**
Other comprehensive income	-	-	-	-	(181)	**(181)**	142	**(39)**
Profit for the financial period	-	-	-	-	1,406	**1,406**	272	**1,678**
Total comprehensive income	-	-	-	-	1,225	**1,225**	414	**1,639**
Dividend	-	-	-	-	(547)	**(547)**	(257)	**(804)**
Balance at 31 December 2016	3,076	11,881	3,144	-	10,779	**28,880**	1,125	**30,005**

As a result of a change in the future use of the Group's freehold property in Leeds, an impairment review was performed in the six months ending 30 June 2016. An impairment charge of £781,000 was taken and set against the revaluation reserve. £183,000 of deferred tax held within the revaluation reserve was reversed. The net impact on the revaluation reserve was a reduction of £598,000 to £nil at 30 June 2016.

Notes to Financial Statements for the six months ended 31 December 2016

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 28 February 2017.

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 2016 were approved by the Board of Directors on 28 October 2016 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.

2. Basis of Preparation

This Half-Yearly Financial Report for the six months ended 31 December 2016 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 2016, 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 2017. IFRSs 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 2016, 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.

3. Accounting Policies

Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Sources of Estimation Uncertainty

The preparation of the Half-Yearly Financial Report requires the Group to make estimates, judgements 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.

3. Accounting Policies (Cont)

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 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. 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 Cash Generating Units (CGUs) 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; and
- 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 of each segment was assessed on the basis of operating profit before exceptional items and the charge or release of liability insurance provisions. Revenue was reported and assessed on a consistent basis with revenue reported in the Consolidated Income Statement. The Board assesses the business from both a business discipline and geographic perspective.

The Group monitors and reports on the performance of its Property and Infrastructure & Environment ("IE") business segments. The components of each business segment have been reported in the segmental reporting note for information purposes.

The credit for the period from Discontinued operations in prior years is reported separately in the Consolidated Income Statement below profit after taxation from Continuing operations (note 7).

	Six months ended 31 December 2016			Six months ended 31 December 2015		
Consolidated Income Statement	Property £'000	I&E £'000	**Total £'000**	Property £'000	I&E £'000	Total £'000
Revenue – total	26,445	23,522	**49,967**	27,226	23,724	50,950
Revenue - internal	(3,983)	(303)	**(4,286)**	(4,238)	(1,312)	(5,550)
Revenue	22,462	23,219	**45,681**	22,988	22,412	45,400
EBITDA before charge of liability insurance provisions	1,701	804	**2,505**	1,898	775	2,673
Depreciation and amortisation on computer software	(209)	(219)	**(428)**	(172)	(173)	(345)
Operating profit before charge of liability insurance provisions	1,492	585	**2,077**	1,726	602	2,328
Charge of liability insurance provisions	(175)	(50)	**(225)**	(472)	-	(472)
Operating profit	1,317	535	**1,852**	1,254	602	1,856
Net finance costs			**(24)**			(45)
Profit before taxation			**1,828**			1,811
Taxation			**(457)**			(471)
Profit after taxation from Continuing operations			**1,371**			1,340
Credit for the period from Discontinued operations in prior years			**307**			-
Profit for the financial period			**1,678**			1,340
Profit attributable to non-controlling interests			**272**			106
Profit attributable to the owners of the parent			**1,406**			1,234

Six months ended 31 December 2016

	UK Property £'000	Australia £'000	Europe £'000	**Total Property £'000**	**UK I&E £'000**
Revenue – total	20,154	3,834	2,458	**26,446**	**23,522**
Revenue - internal	(3,843)	(9)	(132)	**(3,984)**	**(303)**
Revenue	16,311	3,825	2,326	**22,462**	**23,219**
EBITDA before charge of liability insurance provisions	723	722	256	**1,701**	**804**
Depreciation and amortisation on computer software	(144)	(26)	(39)	**(209)**	**(219)**
Operating profit before charge of liability insurance provisions	579	696	217	**1,492**	**585**

Six months ended 31 December 2015

	UK Property £'000	Australia £'000	Europe £'000	Total Property £'000	UK I&E £'000
Revenue – total	22,510	2,798	1,918	27,226	23,724
Revenue - internal	(4,104)	(5)	(129)	(4,238)	(1,312)
Revenue	18,406	2,793	1,789	22,988	22,412
EBITDA before charge of liability insurance provisions	1,394	351	153	1,898	775
Depreciation and amortisation on computer software	(122)	(15)	(35)	(172)	(173)
Operating profit before charge of liability insurance provisions	1,272	336	118	1,726	602

5. Employee Benefits Expense

	Six months to 31 December 2016 £'000	Six months to 31 December 2015 £'000
Staff costs including Executive Directors remuneration amounted to:		
Wages and salaries	**23,290**	21,017
Social security costs	**2,486**	2,241
Other pension costs	**1,095**	1,267
Total employee benefits expense	**26,871**	24,525

The average monthly number of employees including executive directors during	**2016**	2015
the six months ended 31 December were as follows:	**Number**	Number
Technical	**813**	808
Non-technical	**127**	128
	940	936

The average monthly number of temporary and contract staff during the six months ended December 2016 was 305 (2015: 369). The costs relating to contract staff are included in other operating charges.

6. Taxation

The taxation charge, for the 6 months to 31 December 2016 is calculated at 25% of the profit before tax, being the estimated effective rate for the full year (31 December 2015: 26%). The total tax charge is £457,000 and is made up of £476,000 current tax charge on current year profits and £19,000 deferred tax credit being the reversal of the deferred tax asset relating to property, plant & equipment.

The effective tax rate for the period is higher than the UK corporation tax rate for the period of 19.75% (31 December 2015: 20.0%) due principally to the mix of profits between the different Group companies and jurisdictions in which they operate.

7. 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 31 December 2013 for UAE and by 30 June 2014 for Russia, all revenue generating operations in the UAE and in Russia had ceased and these operations were classified as discontinued.

All costs of winding down the Discontinued Operations were charged in the year ended 30 June 2014. All subsequent expenses/credits relate to progressing the liquidation of the legal entities.

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

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Credit before tax	**307**	-
Taxation	**-**	-
Credit after tax from Discontinued Operations	**307**	-

The credit from Discontinued Operations is mainly due to foreign exchange gains upon liquidation of the Moscow legal entity.

A net cash outflow from Discontinued Operations of £26,000 (31 December 2015: £78,000) occurred during the period, principally relating to progressing the liquidation of the legal entities.

8. Earnings Per Share

The basic and diluted earnings per share has been calculated on the earnings attributable to owners of the Parent Company and based on the weighted average of 30,758,824 shares in issue during the period and ranking for dividend (31 December 2015: 30,725,824). The diluted earnings per share from Continuing and Discontinued Operations is the same as the basic earnings per share, as there were no dilutive share options on issue at 30 June 2016. The earnings per share from Continuing Operations is 3.6p (31 December 2015: 4.0p).

	Six months ended 31 December 2016 £'000	**Weighted average number of shares (thousands)**	**Per share amount (pence)**	Six months ended 31 December 2015 £'000	Weighted average number of shares (thousands)	Per share amount (pence)
Basic profit per share:						
Earnings attributable to owners of the parent	1,406	30,758	**4.6**	1,234	30,726	4.0
Diluted earnings per share	1,406	30,758	**4.6**	1,234	30,726	4.0
Earnings from Continuing Operations						
Earnings attributable to the Owners of the Parent	1,099	30,758	**3.6**	1,234	30,726	4.0
Earnings from Continuing and Discontinued Operations						
Earnings attributable to the Owners of the Parent	1,406	30,758	**4.6**	1,234	30,726	4.0

9. Earnings Per Share

The directors propose an interim dividend of 1.6p per share (30 June 2016: 1.8p and 31 December 2015: 1.2p).

The shares will become ex-dividend on 16 March 2017 and the dividend will be paid on 18 April 2017 to shareholders on the register at the close of business on 17 March 2017.

The final dividend for the year ended 30 June 2016 of 1.8p per share was paid on 6 January 2017 to shareholders on the register at 9 December 2016.

The Employee Benefit Trust has waived its entitlement to dividends which has reduced the 2017 interim dividend payable by £2,090 (2016: £1,568) and the 2016 final dividend paid by £2,352.

	Six months ended 31 December 2016 £'000	Six months ended 31 December 2015 £'000
Dividends charged to equity in the period	**547**	368
Dividend per ordinary share paid in period	**0.0p**	0.0p
Dividend per ordinary share proposed in period	**1.6p**	1.2p

10. Goodwill

	31 December 2016 £'000	31 December 2015 £'000
Cost at 1 July	**16,719**	16,177
Exchange rate adjustments	**274**	37
At 31 December	**16,993**	16,214
Impairment at 1 July and 31 December	**(494)**	(494)
Net book amount	**16,499**	15,720

11. Capital Expenditure

	PPE and Other intangible assets 31 December 2016 £'000	**Other intangible assets 31 December 2016 £'000**	PPE and Other intangible assets 31 December 2015 £'000	Other intangible assets 31 December 2015 £'000
Opening net book amount at 1 July	**2,567**	**78**	3,106	70
Additions	**222**	**-**	507	40
Exchange rate adjustments	**15**	**2**	4	4
Depreciation and amortisation	**(408)**	**(20)**	(323)	(22)
Closing net book amount at 31 December	**2,396**	**60**	3,294	92

12. Trade and Other Receivables

	Group 31 December 2016 £'000	Group 31 December 2015 £'000
Trade receivables	**22,025**	21,020
Less: Provision for impairment of receivables	**(2,436)**	(2,578)
Trade receivables (net)	**19,589**	18,442
Amounts due from customers on long term contracts	**8,095**	8,070
Other receivables	**-**	103
Prepayments and accrued income	**2,468**	3,318
	30,152	29,933

As of 31 December 2016, trade receivables over 30 days from the date of issue of £13.5m (31 December 2015: £12.8m) were considered for potential impairment. The amount provided for these balances was £2.4m (31 December 2015: £2.6m).

As of 31 December 2016, trade receivables net of provisions of £11.1m (31 December 2015: £10.2m) 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 2016 £'000	Group 31 December 2015 £'000
Less than 30 days	**-**	-
Between 30 and 60 days	**6,013**	4,628
Between 60 and 90 days	**2,291**	2,741
Between 90 and 120 days	**1,025**	748
Greater than 120 days	**1,804**	2,055
	11,133	10,172

13. Trade and Other Payables

	Group 31 December 2016 £'000	Group 31 December 2015 £'000
Trade payables	**3,686**	2,570
Amounts due to customers on long term contracts	**12,109**	14,158
Other taxes and social security	**4,305**	3,848
Corporation tax payable	**312**	236
Other payables	**1,561**	1,427
Accruals	**2,914**	3,905
	24,887	26,144

14. Financial Liabilities - Borrowings

	Group 31 December 2016 £'000	Group 31 December 2015 £'000
Current		
Bank loans	**322**	668
	322	668
Non - current		
Bank loans	**328**	582
Total	**650**	1,250

The Group had one sterling bank loan which was fully repaid in January 2017. This loan was at a floating interest rate of 2.75% (2015: 2.75%) above sterling base rate. The Group has one Australian dollar bank loan for AUD $918,500 which is repayable in March 2019. The loan is at a floating interest rate of 2.5% above Australian LIBOR. The loan is secured by a fixed and floating charge over certain Group assets and is 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%.

15. Provisions

	Liability Insurance £'000	Property provisions £'000	2016 £'000	Liability Insurance £'000	Property provisions £'000	2015 £'000
1 July	2,018	17	**2,035**	1,907	42	1,949
Charged to the Consolidated Income Statement	225	-	**225**	500	-	500
Released to the Consolidated Income Statement	-	-	**-**	(28)	-	(28)
Sub-total	225	-	**225**	472	-	472
Utilised	-	(10)	**(10)**	(35)	(14)	(49)
Exchange rate adjustments	-	-	**-**	5	-	5
31 December	2,243	7	**2,250**	2,349	28	2,377

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 2016 and 31 December 2015	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 2016	3,000,000
Awards exercisable at 30 June 2016	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 and January 2017, a similar award was made to qualifying employees and a total of 244,267 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 2015 £'000	30 June 2016 £'000	Cash flow £'000	Other non -cash changes £'000	Exchange movements £'000	**31 December 2016 £'000**
Cash at bank	7,809	7,706	(507)	-	167	**7,366**
Drawdown on invoice discounting facility	-	(1,278)	1,278	-	-	**-**
Cash and cash equivalents	7,809	6,428	771	-	167	**7,366**
Current						
Bank loans	(668)	(551)	329	(100)	-	**(322)**
Non - current						
Bank loans	(582)	(428)	-	100	-	**(328)**
Net funds	6,559	5,449	1,100	-	167	**6,716**

At 31 December 2016, £1.5m (2015: £1.1m) of the cash and cash equivalents were held in subsidiaries not wholly owned by the Group of which £0.8m (2015: £0.6m) 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 2018. 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 with its covenants to banks and other institutions. The Group has considerable financial resources together with long term contracts and relationships with a number of customers and suppliers across different geographic areas and industries. An analysis of the Group's borrowing facilities is 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.

The Directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The Directors confirm that they have a reasonable expectation that the Company and the Group have adequate resources to continue in business for the next three years. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

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 2016 as disclosed and described on pages 45 to 49 of the Annual Report & Financial Statement 2016. 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 2016. No material transactions have occurred 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 2016 and the Annual Report & Financial Statement to 30 June 2016 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 has 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 2016. At the AGM on 9 December 2016, Geoff Wright retired as a Non-Executive Director of Waterman Group Plc and was replaced by Michael Strong. A list of current directors is maintained on the Waterman Group website www.watermangroup.com

By order of the Board
Marie Anne Culnane
Company Secretary
28 February 2017

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