WATERMAN GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2018

CONTENTS

Strategic Report

The Directors present their Strategic Report for Waterman Group plc (the 'Company') and its subsidiaries (together the 'Group') for the 18-month period ended 31 December 2018.

Principal Activities

The principal activity of the Company is that of an investment holding company and the provision of administrative and advisory services for the Group's operations. The Directors do not envisage any change in this activity during the forthcoming period.

Waterman Group is a multidisciplinary consultancy providing services to meet the planning, engineering design and project delivery needs of the property, infrastructure, and environmental markets. Waterman has grown into a leading engineering and environmental consultancy with offices throughout the UK and in Australia and Ireland, working with private sector clients and government agencies, local authorities and government-regulated industries. The Waterman teams provide professional services throughout the complete life cycle of the asset starting from initial surveys and concept planning, through to design, delivery, project management, supervision and on-going maintenance.

Significant events

On 9 May 2017, following an approach from CTI Engineering Co. Limited ('CTI'), the Boards of Waterman and CTI reached agreement on the terms of a recommended cash offer for the entire issued and to be issued share capital of Waterman.

Completion of the cash offer for Waterman by CTI (the 'acquisition') occurred on 5 June 2017.
From this date the Group's ultimate controlling party became CTI Engineering Co. Ltd, which is incorporated and registered in Japan.

On 13 July 2017, the listing of Waterman shares on the Main Market of the London Stock Exchange was cancelled.

The Company has changed its financial reporting date from a 30 June to a 31 December year end to align with CTI's year end.

Strategy

CTI are Japan's leading engineering consultancy with a primary focus on civil engineering in Japan and some countries in Asia. The Board's strategy is to continue to strengthen our relationship with CTI and to leverage each other's experience, expertise, client relationships and geographical presence for the benefit of the combined organisation.

The range of engineering and environmental services we offer our clients has been strengthened through investment in senior people across our four main disciplines, split across two segments, of:

Segment	Discipline
Property	Structures Consulting Building Services Consulting
Infrastructure & Environment	Infrastructure & Environmental Consulting Highways and Transportation Secondment

Waterman provides these services across all markets in the private and public sectors. 84% of our UK revenue in the 18-month period to 31 December 2018 is generated from the highways, retail, commercial and residential markets.

Our international offices are in Australia and Ireland. Our Australian offices in Melbourne and Sydney are focused on generating revenue from building services design and engineering, both in the private and public sectors. Expertise includes healthcare, education, prisons, residential, commercial technology and bank fit outs. Our office in Dublin, Ireland, provides a comprehensive multidisciplinary consultancy design service to Irish clients on a range of developments.

The profitability of each of our design groups can vary from year to year depending on the type of advice they are providing and the phasing of the commissions. Our focus is on improving operating profit margins within each business as well as generating revenue growth from our clients.

Business Review

The headlines from the audited Financial Statements are summarised in the table below.

From Continuing Operations:	18-month period ended 31 December 2018	18-month period ended 31 December 2018 (annualised)‡	Year ended 30 June 2017
	£m	£m	£m
Revenue	**141.6**	94.4	89.7
Adjusted EBITDA*	**7.4**	4.9	4.4
Reported EBITDA	**6.3**	4.2	2.9
Adjusted Operating profit*	**6.1**	4.0	3.6
Reported Operating profit	**5.0**	3.3	2.1
Adjusted Operating profit margin*	**4.3%**	4.3%	4.0%
Reported operating profit margin	**3.5%**	3.5%	2.4%
Return on Capital Employed**	**51.6%**	51.6%	53.9%

*Prior to exceptional items of £1.1m (year ended 30 June 2017: £1.5m).

**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.

‡Annualised figures are 18-month audited figures multiplied by 12/18 to reflect an equivalent 12-month period pro rata

The Board believes that it is appropriate to measure performance by comparing 18 months to 31 December 2018 (annualised) with the prior 12 months to 30 June 2017.

Despite the uncertain market conditions, Waterman has experienced a positive trading period with a 5.2% increase in annualised Group revenue to £94.4m (year ended 30 June 2017: £89.7m).

Annualised adjusted EBITDA increased by 11% to £4.9m (year ended 30 June 2017: £4.4m) and adjusted operating profit margin rose to 4.3% (year ended 30 June 2017: 4.0%).

Despite payment of £3.3m of costs resulting from the CTI acquisition, Waterman's cash position has remained robust and stable with net funds of £6.8m (30 June 2017: £6.8m)

Return on Capital Employed remains strong at 51.6% (year ended 30 June 2017: 53.9%).

Segment Reviews

Our two segments are Property and Infrastructure & Environment.

Comparing the annualised 18-month period to 31 December 2018 with the prior year, Property revenue increased by £4.6m (10.6%) to £47.8m and Infrastructure & Environment revenue remained in line with the prior year at £46.6m.

Property's annualised operating profit was £2.8m (year ended 30 June 2017: £2.7m), with an operating profit margin of 6.0% (year ended 30 June 2017: 6.2%).

Infrastructure & Environment's annualised operating profit was £1.2m (year ended 30 June 2017: £0.9m), with an operating profit margin of 2.6% (year ended 30 June 2017: 2.0%).

Property Segment

Property	18-month period ended 31 December 2018 £'000	18-month period ended 31 December 2018 (annualised) £'000	Year ended 30 June 2017 £'000
Revenue	**71,675**	47,783	43,197
EBITDA *	**5,435**	3,623	3,142
Operating Profit *	**4,265**	2,843	2,684

*Prior to Group exceptional items of £1.1m (year ended 30 June 2017: £1.5m).

The Property segment, which generated 51% of Group revenue in the 18-month period ended 31 December 2018, has performed above expectations. Although our Building services business experienced a challenging period in the UK, our UK Structures, Melbourne and Dublin businesses have performed strongly.

The Waterman Group Property team is involved in the Structural and Building Services engineering design of buildings in the private and public sector from offices based in the UK, Ireland and Australia. Our services are provided on a single or multi discipline basis to a broad spectrum of clients.

Core markets are 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 long term clients including British Land, Land Securities, AVIVA, Berkeley, and London Square. Whilst our Building Services team in London suffered from delayed starts to projects in the commercial and residential markets during the period, outside London the regional teams have performed well with a wider range of projects in the education, student accommodation, leisure and healthcare markets.

Projects across the retail, residential and commercial sectors continue with ongoing work at Marble Arch Place, a significant office and residential development at a landmark London location, at Canada Water, at Vauxhall on a collection of residential towers between 15 and 50 storeys, offices and retail space, at K1 Knightsbridge a landmark retail, residential and commercial mixed use development, along with 33 Grosvenor Place for Cleveland Clinic, a 200 bed private healthcare facility. Other significant projects have commenced detailed design during the period providing ongoing work into 2019 such as the 1 Sherwood office development in Piccadilly Circus and Vauxhall Square as well as a significant residential development at Bromley by Bow.

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 National Australia Bank on their frameworks for upgrading their existing high street retail. 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.

In Ireland, Waterman is benefiting from the increasing demand for consulting engineering services for development in the residential, commercial offices, retail and leisure markets. Our Dublin office is experiencing strong demand for services and has secured a number of new commissions in the residential and commercial sectors. These include St Helens in Adamstown a residential development where we are providing multi-disciplined services, residential projects at Clancy Quay, and commercial developments at Setanta Centre and the River House and Clonshaugh hotels.

Infrastructure & Environment Segment

Infrastructure & Environment	18-month period ended 31 December 2018 £'000	18-month period ended 31 December 2018 (annualised) £'000	Year ended 30 June 2017 £'000
Revenue	**69,926**	46,617	46,538
EBITDA *	**1,954**	1,302	1,293
Operating Profit *	**1,805**	1,203	916

*Prior to Group exceptional items of £1.1m (year ended 30 June 2017: £1.5m).

The Infrastructure & Environment teams operate throughout the UK, with a greater regional presence than our Property operation. The Infrastructure & Environment segment, which generated 49% of Group revenue in the 18-month period ended 31 December 2018, has performed in line with expectations.

The Infrastructure & Environment segment comprises teams providing consultancy advice on development and civil engineering projects and a Secondment operation which seconds over 550 specialist highways, water and transportation engineers to clients involved in public sector infrastructure throughout the UK.

Waterman has a proven track record providing consultancy and secondment resources to Local Authorities, and national infrastructure projects. During the period, the team were successfully appointed on a number of frameworks including: Cheshire East Borough Council's Construction Related Consultancy Services Framework, for the provision of environmental consultancy and transport engineering services; London Borough of Lewisham for highways and transportation services; YORconsult2 for environmental and civil engineering services across the Yorkshire and Humber region; London Borough of Bromley for highways; and the Performance Audit Group (PAG) for Transport Scotland providing assurance services on Transport Scotland's trunk roads with respect to the Operating Companies performance.

Environmental Impact Assessment ('EIA') and sustainability advice continued on major urban regeneration projects including British Land's masterplan for Canada Water; and Brent Cross, and Cricklewood for Hammerson and Standard Life. The team also advised on the new Isle of Man ferry terminal at Liverpool's Central Dock, alongside Liverpool's proposed new Cruise Liner Terminal.

Strategic land remains a core focus for the business, enabling sites to be brought forward for residential development. The team supported Land Securities on their 10,000 home development near Stanstead (Easton Park); continued their work on the regeneration of a 62 hectare area in Purfleet Kent for a residential led scheme, and were appointed as the highways and drainage engineers for the Halsnead Garden Village masterplan in Knowsley, a former colliery the regeneration of which will bring forward over 100 hectares of regionally strategic residential and commercial land on behalf of Knowsley Council.

The teams have also been advising on strategic infrastructure projects, including HS2, the Trans Pennine route upgrade and the design of the A322/A329 corridor improvement, which is considered one of the most-congested routes in South East England.

Financial Review

Performance Summary

I am pleased to report that Waterman has experienced a positive trading period.

The Board believes that it is appropriate to measure performance by comparing the annualised 18-month period to 31 December 2018 with the year to 30 June 2017 as highlighted in the table below:

From Continuing Operations:	**18-month period ended 31 December 2018**	18-month period ended 31 December 2018 (annualised) ‡	Year ended 30 June 2017
	£m	£m	£m
Revenue	**141.6**	94.4	89.7
Adjusted EBITDA*	**7.4**	4.9	4.4
Reported EBITDA	**6.3**	4.2	2.9
Adjusted Operating profit*	**6.1**	4.0	3.6
Reported Operating profit	**5.0**	3.3	2.1
Adjusted Profit before taxation*	**6.2**	4.1	3.6
Reported Profit before taxation	**5.1**	3.4	2.1

*Prior to exceptional items of £1.1m (year ended 30 June 2017: £1.5m)

‡Annualised figures are 18-month audited figures multiplied by 12/18 to reflect an equivalent 12-month period pro rata

Annualised Group revenue from continuing operations increased by £4.7m (5.2%) to £94.4m (year ended 30 June 2017 £89.7m). Whilst annualised revenue from our Infrastructure & Environment segment remained in line with the prior year at £46.6m, annualised revenue from our Property segment increased by £4.6m (10.6%) to £47.8m (year ended 30 June 2017 £43.2m).

Annualised reported profit before tax was £3.4m (year ended 30 June 2017: £2.1m), after charging exceptional items of £1.1m (year ended 30 June 2017: £1.5m).

The Board believes that a more representative measure of performance is annualised adjusted profit before tax, which was £4.1m (year ended 30 June 2017: £3.6m).

Reported operating profit was £5.0m (year ended 30 June 2017: £2.1m). Excluding exceptional items of £1.1m (year ended 30 June 2017: £1.5m), annualised adjusted operating profit was £4.0m (year ended 30 June 2017: £3.6m) with an adjusted operating margin of 4.3% (year ended 30 June 2017: 4.0%)

The exceptional items of £1.1m (year ended 30 June 2017: £1.5m) are costs resulting from the acquisition of Waterman by CTI. Further information is provided in Note 5 Exceptional Items in the Consolidated Financial Statements on page 28.

Key Performance Indicators

The Board uses a number of Key Performance Indicators (KPIs) to monitor the financial performance of the business segments. These include revenue, adjusted operating profit, adjusted profit before tax and return on operating capital employed. These KPIs are monitored against budget and targets.

The financial performance by segment is reported in Note 2 Segmental Reporting to the Consolidated Financial Statements on page 27.

The Group's primary management measure of Return on Average Capital Employed was 51.6% (year ended 30 June 2017: 53.9%), as set out below:

	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2016 £'000
Annualised adjusted Operating Profit		4,046		3,600	
Capital Employed comprises:					
Total Equity	32,834		29,159		29,170
Net Cash	(6,777)		(6,769)		(5,449)
Goodwill	(16,236)		(16,528)		(16,225)
	9,821		5,862		7,496
Average capital employed		7,842		6,679	
Return on average capital employed (%)		**51.6%**		**53.9%**	

Taxation

The tax charge from continuing operations for the 18-month period was £1.0m (year ended 30 June 2017: £0.9m), representing an effective tax rate of 20.5% (year ended 30 June 2017: 41.0%). This rate is higher than the UK corporation tax rate of 19% mainly due to the impact of non-deductible expenditure and the higher Australian tax rate.

Further information, including a reconciliation of the effective tax rate, is provided in Note 7 Taxation in the Consolidated Financial Statements on page 28.

Dividends

No dividend was paid to our shareholder during the period (year ended 30 June 2017: £1.0m).

Group Consolidated Balance Sheet

At 31 December 2018, the Group had net assets of £32.8m (30 June 2017: £29.2m).

Capital Expenditure, Tangible Assets and Goodwill

Capital expenditure in the period was £1.3m (year ended 30 June 2017: £0.7m). The Group continues to invest in improvements within our offices and high specification computers to run the latest design software.

Property, plant and equipment at 31 December 2018 of £2.5m (30 June 2017: £2.5m) consists of a freehold property in Leeds with a net book value of £0.6m (30 June 2017: £0.6m), office equipment and furniture, leasehold improvements, motor vehicles and computer equipment.

Net tangible assets at 31 December 2018 were £16.6m (30 June 2017: £12.6m).

Goodwill of £16.2m (30 June 2017: £16.5m) was held at 31 December 2018.The decrease from the prior year is due to the effect of movements in foreign exchange. Goodwill was reviewed for impairment at 31 December 2018. The Group undertakes impairment reviews on an annual basis and when there are any indications that the carrying value may not be recoverable. Following an impairment review, the Board was satisfied that no provision for impairment was considered necessary at 31 December 2018. Further details of the review are included in Note 10 Goodwill to the Consolidated Financial Statements on page 30.

Working Capital, Cash Flow and Net Funds

Working Capital	31 December 2018 £'000	30 June 2017 £'000
Net trade receivables	23,779	19,607
Accrued Income	556	159
Trade payables	(1,983)	(3,521)
Amounts due from customers on long term contracts	6,104	8,012
Fees invoiced in advance	(10,599)	(11,294)
Net work in progress	(4,495)	(3,282)
Total	**17,857**	**12,963**

At 31 December 2018, debtor days were unchanged from the prior year at 68 days. Working capital days outstanding remain low at 47 days (30 June 2017: 40).

The Group's net cash from operating activities was an inflow of £4.9m (year ended 30 June 2017: £2.6m), an increase of £2.3m (88%) from the prior year.

Despite payments of £3.3m resulting from the acquisition of Waterman by CTI, net funds at 31 December 2018 remained robust and stable at £6.8m (30 June 2017: £6.8m).

Net funds consist of cash and cash equivalents of £6.85m (30 June 2017: £7.2m) less term loans of £0.07m (30 June 2017: £0.4m). At 31 December 2018, £1.4m (30 June 2017: £1.4m) of the cash and cash equivalents was held in subsidiaries not wholly owned by the Group, of which £0.7m (30 June 2017: £0.7m) was attributable to the non-controlling interest.

Bank Facilities

At 31 December 2018 the Group's principal banking facilities were a £4.0m overdraft facility, a £0.5m bank guarantee facility and one term loan of £0.1m with HSBC PLC, and a £6.0m confidential invoice discounting facility from Close Invoice Finance Limited. The term loan is repayable by quarterly instalments and the final payment was made in March 2019.

At 31 December 2018, neither the overdraft facility or confidential invoice discounting facility were used.

Critical Accounting Policies

The Statement of Significant Accounting Policies is set out in Note 1 to the Consolidated Financial Statements on page 18.

Estimates, assumptions concerning the future and judgments are made in the preparation of the Consolidated Financial Statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors including expectations of future events that are believed to be reasonable under the circumstances.

The Board considers that the estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 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 judgements 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 judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reporting results. Our revenue for the 18-month period is £142m (year ended 30 June 2017: £90m) with an associated operating margin of 3.5% (year ended 30 June 2017: 2.4%). Should margins reduce by 1% the impact of such a change across our projects in delivery at the year end would be an impact on operating profit of £1.4m (year ended 30 June 2017: £0.9m); and
- 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 (refer to note 10 to the Consolidated Financial Statements).

The Board considers that the only critical judgement relates to Insurance Claims. Provisions in respect of potential liability insurance claims require assessments and judgements to be made of the likelihood of a claim succeeding and an estimate of the quantum. While the assumptions made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reporting results. Refer to note 19 'Provisions' for the liability insurance claim provision at 31 December 2018.

Financial Risk Management

The Board reviews and agrees policies for managing financial risks.

The Group's finance team is responsible for managing investment and funding requirements including banking and cash flow monitoring. It seeks to ensure that adequate liquidity exists at all times in order to meet its cash requirements.

The Group's strategy is to finance its operations through a mixture of cash generated from operations and where necessary borrowings by way of bank facilities and working capital finance.

The Group's financial instruments comprise borrowings, cash and various items, such as trade receivables and trade payables that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group does not speculatively trade in financial instruments.

The main risks arising from the Group's financial instruments are described below.

Liquidity and Interest Rate Risk

As reported above, the Group had net funds of £6.8m at the year end, comprising £6.85m of cash and cash equivalents less £0.07m of debt. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loans, overdraft and sales invoice financing facility debt obligations. Bank interest is charged on a floating rate basis.

Credit Risk

Credit checks are performed on all potential customers. Receivable balances are monitored on an ongoing basis. There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 9% (30 June 2017: 6%) of total receivables balances at 31 December 2018.

Foreign Currency Risk

The Group has exposure to currency risk on business transactions where revenues and costs are in different currencies, and on translation of assets and liabilities from local currency into sterling. Revenues and costs in the same currency are matched to form natural hedges wherever possible. The Group also implements hedging procedures or would purchase currency hedges where a material exposure is identified.

On behalf of the Board

Alex Steele
Chief Financial Officer
27 June 2019

Directors' Report

The Directors present their report, together with the audited Consolidated Financial Statements for the 18-month period ended 31 December 2018.

Principal activities and review of business operations

The principal activity of Waterman Group plc is that of a holding company. The principal activity of its subsidiary undertakings is the provision of design services and advice in the fields of civil, structural, mechanical and electrical engineering together with environmental and health and safety consultancy.

The Strategic Report and the Financial Review both provide a detailed commentary on the Group's performance and activities during the period and future developments. The Key Performance Indicators are noted in the Financial Review on page 5.

Results

The profit for the period, after taxation, was £4,034,000 (year ended 30 June 2017: £901,000). The profit attributable to the owners of the parent was £3,473,000 (year ended 30 June 2017: £447,000).

Change of year end

The Company has changed its financial reporting date from 30 June to a 31 December year end to align with the year-end of CTI Engineering Co. Ltd, its ultimate controlling party, which is incorporated and registered in Japan.

Directors and their interests

The directors of the Company during the period and up to the date of signing the financial statements are given below:

N J Taylor

A A Steele

C W Beresford

N Humphrey (appointed 12 September 2017)

K Kanai (appointed 12 September 2017)

N Tomonaga (appointed 12 September 2017)

M Maeda (appointed 12 September 2017)

N Fujiwara (appointed 12 September 2017)

M P Baker (resigned 12 September 2017)

R J Piper (resigned 12 September 2017)

M J Strong (resigned 1 September 2017)

The Company maintains Directors and Officers Liability Insurance which gives appropriate and adequate cover for any legal action brought against its Directors.

None of the Directors held any interest, either during or at the end of the financial period, in the Company's ordinary shares or in any material contract or arrangement with the Company or any subsidiary undertaking.

Share Capital

As at the date of this report, the Company's share capital consists of 33,298,824 issued and fully paid ordinary shares.

The Company was acquired by CTI Engineering Co Ltd on 5 June 2017 and Waterman Group plc de-listed from the London Stock Exchange on 13 July 2017.

Financial Risk Management Policies

The Group's approach to financial risk management is set out in note 1 to the Consolidated Financial Statements. The principal financial risks are set out in the Financial Review on page 8.

Going Concern

The Group's business activities are set out in the Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Consolidated Financial Statements and Notes. The Directors have prepared a cash flow forecast to 31 December 2020. The Directors are confident that the underlying forecasts are reasonable.

The Group, whose ultimate controlling party is CTI Engineering Co. Ltd, is reliant on the ability of customers to pay debts and on the timing of new projects coming on line. In adverse trading circumstances, the Board has a number of mitigating actions it could take to ensure compliance with its commitments 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 18 'Financial liabilities-borrowings'. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully in the future.

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 foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the Financial Statement.

Property, Plant and Equipment

Information relating to the book value of the Group's land and freehold property is disclosed in the Financial Review on page 5 and note 12 to the Consolidated Financial Statements.

Auditors and disclosure of information to Auditors

For each of the persons who were Directors at the time this report was prepared, each Director confirms that:

- so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By Order of the Board
Alex Steele
Chief Financial Officer
27 June 2019

Company number: 02188844

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. As noted above, a change of year end makes this an 18-month period.

Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

By order of the Board

N. Taylor

Nicholas J Taylor
Chief Executive
27 June 2019

Independent auditors' report to the members of Waterman Group plc

Report on the audit of the group financial statements

Opinion

In our opinion, Waterman Group plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2018 and of its profit and cash flows for the 18 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated Balance Sheet as at 31 December 2018; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity for the 18 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the company financial statements of Waterman Group plc for the 18 month period ended 31 December 2018.

Kate Wolstenholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 June 2019

CONSOLIDATED INCOME STATEMENT
for the 18-month period ended 31 December 2018

	Notes	Pre-exceptional items £' 000	Exceptional Items (note 5) £' 000	18-month period ended 31 December 2018 £' 000	Pre-exceptional Items £' 000	Exceptional Items (note 5) £' 000	Year ended 30 June 2017 £' 000
Revenue	2	**141,601**	**-**	**141,601**	89,735	-	89,735
Employee benefits expense	3	**(82,592)**	**(1,109)**	**(83,701)**	(53,642)	(705)	(54,347)
Other operating charges	4	**(51,620)**	**-**	**(51,620)**	(31,658)	(785)	(32,443)
Operating expenses		**(134,212)**	**(1,109)**	**(135,321)**	(85,300)	(1,490)	(86,790)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**7,389**	**(1,109)**	**6,280**	4,435	(1,490)	2,945
Depreciation of property, plant and equipment	12	**(1,273)**	**-**	**(1,273)**	(801)	-	(801)
Amortisation of other intangible assets	11	**(46)**	**-**	**(46)**	(34)	-	(34)
Operating profit		**6,070**	**(1,109)**	**4,961**	3,600	(1,490)	2,110
Finance costs	6	**(92)**	**-**	**(92)**	(50)	-	(50)
Finance income		**206**	**-**	**206**	18	-	18
Profit before taxation		**6,184**	**(1,109)**	**5,075**	3,568	(1,490)	2,078
Taxation	7	**(1,252)**	**211**	**(1,041)**	(992)	139	(853)
Profit after taxation from Continuing operations		**4,932**	**(898)**	**4,034**	2,576	(1,351)	1,225
Loss for the year from Discontinued operations	8	**-**	**-**	**-**	(324)	-	(324)
Profit for the financial year		**4,932**	**(898)**	**4.034**	2,252	(1,351)	901
Profit attributable to:							
Owners of the parent		**4,371**	**(898)**	**3,473**	1,798	(1,351)	447
Non-controlling interests		**561**	**-**	**561**	454	-	454
		4,932	**(898)**	**4,034**	2,252	(1,351)	901

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 18-month period ended 31 December 2018

	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Profit for the financial year (see above)	**4,034**	**901**
Other comprehensive (expense) / income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustments	**(494)**	**128**
Total of items that may be reclassified subsequently to profit or loss	**(494)**	**128**
Other comprehensive (expense) / income for the year, net of tax	**(494)**	**128**
Total comprehensive income for the year	**3,540**	**1,029**
Total comprehensive profit attributable to:		
Owners of the parent	**3,125**	**409**
Non-controlling interests	**415**	**620**
	3,540	**1,029**
Total comprehensive income / (expense) attributable to Owners of the Parent arising from		
Continuing operations	**3,540**	**733**
Discontinued operations	**-**	**(324)**
	3,540	**409**

The notes on pages 18 to 44 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
as at 31 December 2018

	Notes	31 December 2018 £'000	30 June 2017 £'000
ASSETS			
Non-current assets			
Goodwill	10	**16,236**	16,528
Other intangible assets	11	**43**	55
Property, plant and equipment	12	**2,492**	2,485
Investments	13	**10**	10
Deferred taxation asset	25	**1,019**	1,206
		19,800	20,284
Current assets			
Trade and other receivables	15	**33,184**	30,484
Cash at bank	16	**6,845**	7,176
		40,029	37,660
Total assets		**59,829**	57,944
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(24,270)**	(26,570)
Financial liabilities – borrowings	18	**(68)**	(224)
		(24,338)	(26,794)
Non-current liabilities			
Financial liabilities – borrowings	18	**-**	(183)
Provisions	19	**(2,657)**	(1,808)
		(2,657)	(1,991)
Total liabilities		**(26,995)**	(28,785)
Net assets		**32,834**	29,159
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT			
Share capital	20	**3,330**	3,330
Share premium reserve		**11,881**	11,881
Merger reserve	22	**3,144**	3,144
Retained earnings		**13,532**	9,728
		31,887	28,083
Non-controlling interest		**947**	1,076
Total equity		**32,834**	29,159

The Consolidated Financial Statements on pages 14 to 44 were approved by the Board on 27 June 2019 and signed on its behalf by:

N. Taylor

Nicholas Taylor
Chief Executive

The notes on pages 18 to 44 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT
for the 18-month period ended 31 December 2018

	Note	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 (restated)* £'000
Cash flows from operating activities			
Continuing operations:			
Cash generated from Continuing operations (see below)		**5,413**	**3,303**
Interest paid		**(92)**	**(50)**
Tax paid		**(438)**	**(532)**
Discontinued operations	8	**-**	**(142)**
Net cash generated from operating activities		**4,883**	**2,579**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE) and other intangible assets		**(1,324)**	**(735)**
Interest received		**206**	**18**
Proceeds from sale of PPE and other intangible assets		**-**	**12**
Cash flows associated with the acquisition by CTI Engineering Co. Ltd		**(3,289)**	**886**
Net cash used in investing activities		**(4,407)**	**181**
Cash flows from financing activities			
Repayment of borrowing		**(339)**	**(572)**
Equity dividends paid-Owners of the parent	9	**-**	**(1,041)**
Equity dividends paid-Non-controlling interests		**(544)**	**(512)**
Sale of own shares		**178**	**-**
Net cash used in financing activities		**(705)**	**(2,125)**
Net (decrease) / increase in cash, cash equivalents and overdrafts		**(229)**	**635**
Cash and cash equivalents at beginning of year	24	**7,176**	**6,428**
Exchange (loss) / gain on cash and cash equivalents	24	**(102)**	**113**
Cash and cash equivalents at end of year	24	**6,845**	**7,176**

RECONCILIATION OF PROFIT FOR THE FINANCIAL PERIOD TO CASH GENERATED FROM CONTINUING OPERATIONS

	Note	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 (restated)* £'000
Profit for the financial year from Continuing operations		**4,034**	1,225
Taxation charge	7	**1,041**	853
Interest payable	6	**92**	75
Interest receivable		**(206)**	(43)
Amortisation of other intangible assets	11	**46**	34
Depreciation	12	**1,273**	801
Changes in working capital			
(Increase)/Decrease in trade and other receivables		**(3,329)**	394
Increase/(Decrease) in trade and other payables		**409**	(420)
Increase/(Decrease) in provisions		**836**	(262)
Foreign exchange		**108**	(139)
Exceptional items	5	**1,109**	785
Cash generated from continuing operations		**5,413**	3,303

*Prior period comparatives have been restated for consistency with the current period to reflect the impact of cash flows associated with exceptional items and the acquisition by CTI Engineering Co. Ltd

The notes on pages 18 to 44 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 18-month period ended 31 December 2018

	Attributable to the owners of the parent						
	Share capital £ '000	Share premium reserve £ '000	Merger reserve £ '000	Retained earnings £ '000	**Total £'000**	Non-controlling interest £ '000	**Total equity £ '000**
Balance at 1 July 2016	**3,076**	**11,881**	**3,144**	**10,101**	**28,202**	**968**	**29,170**
Currency translation adjustments	-	-	-	(38)	**(38)**	166	**128**
Shares issued to satisfy share schemes	254	-	-	(254)	-	-	-
Other comprehensive (expense) / income	254	-	-	(292)	**(38)**	166	**128**
Profit for the financial year	-	-	-	447	**447**	454	**901**
Total comprehensive income	254	-	-	155	**409**	620	**1,029**
Dividend	-	-	-	(1,041)	**(1,041)**	(512)	**(1,553)**
Tax on share based payments	-	-	-	513	**513**	-	**513**
Balance at 30 June 2017	**3,330**	**11,881**	**3,144**	**9,728**	**28,083**	**1,076**	**29,159**
Currency translation adjustments	-	-	-	(348)	**(348)**	(146)	**(494)**
Other comprehensive (expense)	-	-	-	(348)	**(348)**	(146)	**(494)**
Profit for the financial year	-	-	-	3,473	**3,473**	561	**4,034**
Total comprehensive income	-	-	-	3,125	**3,125**	415	**3,540**
Dividend	-	-	-	-	-	(544)	**(544)**
Adjustment relating to share based payments in prior periods	-	-	-	679	**679**	-	**679**
Balance at 31 December 2018	**3,330**	**11,881**	**3,144**	**13,532**	**31,887**	**947**	**32,834**

The notes on pages 18 to 44 are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The Consolidated Financial Statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies which have been consistently applied to the prior year, unless otherwise stated, in the preparation of the Consolidated Financial Statements are set out below.

BASIS OF PREPARATION

The Consolidated Financial Statements for the period ended 31 December 2018 and the year ended 30 June 2017 have been prepared under the historical cost convention, in accordance with IFRS as adopted by the EU, and in accordance with those parts of the Companies Act 2006 related to reporting under IFRS that are applicable as at 31 December 2018. IFRS is subject to amendment or interpretation by the International Accounting Standards Board and there is an ongoing process of review and endorsement by the EU. For these reasons, it is possible that the information presented in this report may be subject to change.

The preparation of financial statements in conformity with 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 year. Although these estimates are based on the Board's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The Group meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty particularly over the level of future demand for the Group's services. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following standards, amendments to standards and interpretations are effective for the first time in the current financial year. They have had no material impact on the Group's Consolidated Financial Statements:

Amendments to existing standards
Annual improvements to IFRSs 2012-2014 cycle (effective 1 January 2016)

New and amended standards not yet adopted

Certain new accounting standards – IFRS 9, IFRS 15 and IFRS 16, and interpretations – have been published that are not mandatory for this reporting period.

IFRS 9 Financial Instruments

IFRS 9 is mandatory for financial reporting periods beginning on or after 1 January 2018. IFRS 9 introduces a number of new accounting requirements for financial instruments that are not relevant to the Group. The main area that impacts the Group is a move from measuring impairment of trade receivables on an incurred loss basis to a forward-looking credit risk basis, as well as the addition of a loss allowance for expected credit losses on amounts due to customers on long term contracts. IFRS 9 has not yet been implemented as the current reporting period begins on 1 July 2017.

Under IFRS 9, impairment losses on trade receivables will be measured using risk matrices based on the ageing of trade receivables, applying loss rates based on a combination of historical default experience and current information. The Directors' assessment is that there will be an increase in the provision for impairment of trade receivables on transition to IFRS 9 as a result of the inclusion of forward-looking information that recognises risk-based impairment losses on balances that are not yet showing signs of impairment.

The Group will also recognise a loss allowance under IFRS 9 for expected credit losses on amounts due from customers on long-term contracts. This risk-based loss allowance will cover expected credit losses on unbilled work performed on contracts and is the difference between amounts due for unbilled work performed on contracts and the amount that is ultimately expected to be recovered.

The financial impact of initial recognition of the standard will be recognised directly through retained earnings. It is estimated that the total impact of IFRS 9 on the Group provision for impairment of trade receivables and that the loss allowance for expected credit losses on amounts due from customers on long-term contracts will be in the region of £0.5m - £0.9m. The Directors do not believe there will be a significant impact on Profit or Loss after transition.

1. ACCOUNTING POLICIES (CONTINUED)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is mandatory for financial reporting periods beginning on or after 1 January 2018 and replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue*. IFRS 15 moves from revenue recognition based on the stage of completion of a contract to recognition based on the stage of completion of distinct performance obligations within each contract. IFRS 15 has not yet been implemented as the reporting period begins on 1 July 2017.

The Directors' assessment is that IFRS 15 will have minimal impact on revenue recognition within the Group as under both the old and the new standards the Group measures stage of completion by comparing incurred time costs with total expected time costs.

IFRS 16 Leases

IFRS 16 is mandatory for financial reporting periods beginning on or after 1 January 2019 and replaces IAS 17 *Leases*. The main change is that leases formerly classified as operating leases that are not short and where the underlying asset is not of low value will now be recognised on the balance sheet, with an asset representing the right of use of the leased asset and a liability representing the present value of expected future lease payments. The asset will then be depreciated over the expected term of the lease. Payments made will reduce the liability and interest will be charged on the liability as it unwinds. The Group's main leased assets are rental properties and cars, thus other operating charges are expected to decrease substantially, and depreciation and finance costs increase.

The following is a summary of the expected impact on the financial statements in the year of adoption, the year ending 31 December 2019.

Financial Statements line	Opening balance impact Asset/(Liability)	Closing balance impact Asset/(Liability)	Statement of comprehensive income impact (Dr)/Cr
	£m	£m	£m
Plant and equipment	10.9	9.5	n/a
Lease liability	(12.0)	(10.4)	n/a
Retained earnings	1.3	1.0	n/a
Rent costs accrued/prepaid	(0.2)	(0.1)	n/a
Other operating charges	n/a	n/a	2.2
Depreciation	n/a	n/a	(2.0)
Finance costs	n/a	n/a	(0.3)
Profit before taxation			(0.1)

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

BASIS OF CONSOLIDATION

The Consolidated Financial Statements consist of the financial statements of Waterman Group plc and all of its subsidiaries (together 'the Group') as at the end of each reporting period. Subsidiaries are those entities over which the Group has the power to govern financial and operating policies, generally accompanying a shareholding that confers more than half of the voting rights. The results of the subsidiary undertakings acquired have been included from the date of acquisition being the date when control passed. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

BUSINESS COMBINATIONS

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS (continued)
Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. All intra-group transactions and balances are eliminated on consolidation.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS
The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Translation costs incurred in relation to a transaction with a non-controlling interest that does not result in a change in control are deducted from equity.

FOREIGN CURRENCY TRANSLATION
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date and any exchange differences are taken to the Consolidated Income Statement.

On consolidation, income statements and cash flows of foreign subsidiaries are translated from their functional currency into the Group's functional currency of pounds sterling using average rates that existed during the accounting period. The balance sheets of foreign subsidiaries and goodwill arising on consolidation are translated into pounds sterling at the rates of exchange ruling at the balance sheet date. Gains or losses on the translation of opening and closing net assets are recognised in the Consolidated Statement of Comprehensive Income and cumulatively in the Group's reserves.

SOURCES OF ESTIMATION UNCERTAINTY
The preparation of the financial statements 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.

CRITICAL ESTIMATES AND JUDGEMENTS
The Board considers that the estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 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 judgements 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 judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reporting results. Our revenue for the 18-month period is £142m (year ended 30 June 2017: £90m) with an associated operating margin of 3.5% (year ended 30 June 2017: 2.4%). Should margins reduce by 1% the impact of such a change across our projects in delivery at the year end would be an impact on operating profit of £1.4m (year ended 30 June 2017: £0.9m); and
- 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 (refer to note 10 to the Consolidated Financial Statements).

The Board considers that the only critical judgement relates to Insurance Claims. Provisions in respect of potential liability insurance claims require assessments and judgements to be made of the likelihood of a claim succeeding and an estimate of the quantum. While the assumptions made are based on professional judgements, subsequent events may mean that estimates calculated prove to be inaccurate, with a consequent effect on the reporting results. Refer to note 19 'Provisions' for the liability insurance claim provision at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

SEGMENTAL REPORTING
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

Unallocated assets principally comprise of cash and cash equivalents, other intangible assets and property, plant and equipment that are controlled by the parent company. Unallocated liabilities are primarily trade payables and accruals controlled by the Parent Company.

REVENUE
Revenue is stated net of VAT and is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. For short term contracts, the amount of revenue recognised reflects the work completed.

The Group has a number of long term contracts that span more than one financial period. In calculating revenue, the percentage of completion method is used, based on a review of contract progress and the proportion of contract work completed in relation to the total contract works. Profits are only recognised where they can be reliably measured, which is normally after the contract has reached 40% completion. Full provision is made for all known or anticipated losses on each contract immediately such losses are identified. Contract costs comprise direct labour, direct expenses and attributable overheads. Variations in contract work, claims and incentive payments are included in the contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Gross amounts due from customers are stated at the value of the costs incurred plus recognised profits (less recognised losses) where they exceed progress billings. Progress billings not yet paid by customers are included within trade and other receivables. To the extent that progress billings exceed costs incurred plus recognised profits (less recognised losses) they are included in trade and other payables as amounts due to customers on long term contracts.

INVOICE DISCOUNTING FACILITY
The terms of this arrangement are judged to be such that the risk and rewards of ownership of the trade receivables do not pass to the finance provider. As a result, the receivables are not derecognised when funds are drawn against this facility. This facility is recognised as a liability for the amount drawn.

EMPLOYEE BENEFITS
a) PENSION OBLIGATIONS
The Group maintains a number of defined contribution schemes, including a stakeholder pension scheme, which are available to all qualifying staff. Company contributions to these schemes are charged to the Consolidated Income Statement in the year to which they relate.

b) SHARE INCENTIVE PLAN (SIP)
A SIP enables free shares to be awarded and employees to purchase Company shares or partnership shares out of pre-tax salary. The expense in relation to the free shares is recorded as employee remuneration and measured at fair value of the shares.

c) LONG TERM INCENTIVE PLAN (LTIP)
In accordance with IFRS2, Share-based payments, the cost of share based payments is charged to the income statement over the vesting periods. The cost is based on the fair value of the awards made at the date of grant, adjusted for the number of awards expected to vest. The credit associated with the amounts charged to the Income Statement is in retained earnings/accumulated losses until the awards are exercised. Where awards are settled by the new issue of shares, any proceeds received in respect of share awards are credited to share capital and share premium.

EXCEPTIONAL ITEMS
Exceptional items are those that the Directors consider are of such unusual size or nature that they are required to be separately disclosed to allow the user of the financial statements to understand the underlying performance of the Group. They are disclosed within their relevant business segment within note 2, Segmental Information and note 5, Exceptional Items.

FINANCE COSTS
Interest expense is recognised in the Consolidated Income Statement as it is accrued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

GOODWILL

Goodwill recognised under UK GAAP prior to 1 July 2004 (and subsequent to 1 July 1998), the date of transition to IFRS, is stated at net book value as at this date and has been frozen in accordance with IFRS 3 'Business Combinations'. Goodwill on business combinations recognised subsequent to 1 July 2004 is initially measured at cost being the excess of the cost of acquisition paid over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units for impairment testing which is performed annually or more frequently if events or changes in circumstances indicate a potential impairment. The recoverable amount of goodwill has been based on value in use as represented by the net present value of future cash flows discounted using the group's weighted average pre-tax real cost of capital.

OTHER INTANGIBLE ASSETS

Computer software licences acquired are capitalised on the basis of the costs incurred to acquire and bring to use specific software. Intangible assets identified in a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the carrying amount of an intangible asset is its cost or fair value less any accumulated amortisation and any accumulated impairment losses. Useful lives of intangible assets are assessed on acquisition and amortisation is charged as appropriate on a straight line basis. The annual amortisation rates applicable are as follows:

Computer software	20%-33%
Customer relationships arising on business combinations	17%

PROPERTY, PLANT AND EQUIPMENT (PPE)

PPE is stated at cost or fair value when acquired, less depreciation and when appropriate, provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Freehold property has been revalued to its fair value as at the date of transition to IFRS and is now held at deemed cost. On disposal of a revalued asset, the relevant amount in the Revaluation reserve is transferred to Retained Earnings.

Depreciation is provided at rates calculated to write off the cost or fair value of PPE by equal annual instalments over their expected useful lives, having regard to their residual values, and is subject to an impairment review. Land is not depreciated. The annual depreciation rates applicable are as follows:

Freehold buildings	2%
Plant, equipment and motor vehicles	15% - 33%
Freehold land is not depreciated	

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life - for example, Goodwill or Intangible assets not ready to use - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the Group's Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the investment. The Group's financial assets and liabilities are recorded at fair value or amortised cost, apart from the net assets and liabilities of overseas subsidiary undertakings which are translated into pounds sterling at rates of exchange ruling at the balance sheet date. They are classified as current or non-current according to when the receipt or payment falls due. The fair value of financial assets and liabilities of the Group are considered to be materially equivalent to their book value.

NET INVESTMENT HEDGES

Gains and losses on those hedging instruments designated as hedges of net investments in foreign operations are recognised in Other Comprehensive Income to the extent that the hedging relationship is effective. Gains and losses accumulated in the foreign currency translation reserve are included in the Income Statement when the foreign operation is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS
The Group classifies its financial assets depending on the purpose for which the financial assets were acquired. Management determined this classification at initial recognition as detailed below:

LOAN AND RECEIVABLES
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities that are greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise Trade and other receivables and Cash and cash equivalents in the Consolidated Balance Sheet.

FAIR VALUE THROUGH PROFIT AND LOSS
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

RECOGNITION AND MEASUREMENT
Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

IMPAIRMENT OF FINANCIAL ASSETS
Assets carried at amortised cost.

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

TRADE RECEIVABLES
Trade receivables are recognised initially at fair value and subsequently at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Consolidated Income Statement within Other operating charges. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against Other operating charges in the Consolidated Income Statement.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents in the Consolidated Cash Flow Statement include cash and bank balances, short term deposits and invoice discounting facilities (included in Financial liabilities-borrowings in the Consolidated Balance Sheet).

TRADE AND OTHER PAYABLES
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as Current liabilities if payment is due within one year or less. If not, they are presented as Non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

BORROWINGS

Borrowings are initially recognised at fair value net of transaction costs incurred and subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which do not have a redemption entitlement, have mandatory dividend payments paid half-yearly in arrears and are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

LEASES

Finance lease agreements, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Finance costs are charged to the Consolidated Income Statement over the period of the agreement. Obligations under finance leases are included in the Consolidated Balance Sheet in Financial Liabilities – Borrowings, net of finance costs allocated to future periods. Capitalised leased assets are depreciated over the shorter of the estimated life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rentals paid under operating leases are charged to the Consolidated Income Statement as incurred on a straight-line basis over the lease term.

CURRENT AND DEFERRED TAX

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Balance Sheet date in the countries where the Group operates and generates taxable income.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Income Statement.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reasonably estimated. Where the Group expects all or some of the obligation to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If material, provisions are determined by discounting the expected future cash flows using rates that reflect current market assessments of the time value of money.

SHARE CAPITAL

Ordinary shares are classified as equity.

DIVIDEND

Dividend distribution to the Company's shareholders is recognised as a liability in the Consolidated Financial Statements when approved. Interim dividends are recognised when paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

FINANCIAL RISK MANAGEMENT

The Board reviews and agrees policies for managing financial risks. These have remained unchanged throughout the year. The Group's finance team is responsible for managing investment and funding requirements including banking and cash flow monitoring. It seeks to ensure that adequate liquidity exists at all times in order to meet its cash requirements.

The Group strategy is to finance its operations through a mixture of cash generated from operations and where necessary, equity finance and borrowings by way of bank facilities and working capital finance.

The Group's financial instruments comprise borrowings, cash and various items, such as trade receivables and trade payables that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group also has overdraft facilities in place to optimise the use of its resources. The Group does not trade in financial instruments or derivatives. In accordance with IFRS 7, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements. No such arrangements have been identified.
The main risks arising from the Group's financial instruments are described below.

LIQUIDITY RISK

Liquidity risk is the risk that the Group cannot meet its obligations if suitable sources of funding for the Group's business activities are not available. The Group's liquidity is managed centrally with operating companies forecasting their cash requirements to the parent company. In managing this risk, the Group has access to a range of funding at competitive rates through capital markets and banks. The immediate parent company centrally co-ordinates relationships with banks, borrowing requirements, foreign exchange requirements and cash management. The Group believes that it has access to sufficient funding by using undrawn committed borrowing facilities to meet foreseeable borrowing requirements together with the use of retained profits and new equity.

The Group has continued with its policy of ensuring that there are sufficient funds to meet the expected funding requirements of the Group's operations and investment opportunities whilst monitoring its liquidity position through budgetary procedures, cash flow analysis and bank covenant reviews. The Group has a Dun and Bradstreet credit risk rating of 3A which indicates a minimal credit risk.

The Group had net funds of £6.8m at 30 June 2017 comprising £6.85m of cash and cash equivalents less £0.07m of debt.

FOREIGN CURRENCY RISK

The Group has exposure to currency risk on business transactions where revenues and costs are in different currencies, and on translation of assets and liabilities from local currency into sterling. Revenues and costs in the same currency are matched to form natural hedges wherever possible. The Group implements hedging procedures or purchase currency hedges where a material exposure is identified.

INTEREST RATE RISK

Interest expense reflects the cost of the Group's borrowings. Interest income arises from investment of cash and short term deposits held by the Group. Interest rate risk is managed by monitoring market rates to ensure that optimal returns are achieved.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loan, overdraft and sales financing facility debt obligations. Bank interest is charged on a floating rate basis.

CREDIT RISK

Credit checks are performed on all potential customers. Accounts receivable balances are monitored on an ongoing basis. There are no significant concentrations of credit risk within the Group, with no single debtor accounting for more than 9% (30 June 2017: 6%) of total receivables balances at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. 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. 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.

	18-month period ended 31 December 2018				Year ended 30 June 2017			
Consolidated Income Statement	Property £'000	IE £'000	Group, Unallocated and consolidation adjustments £'000	Total £'000	Property £'000	IE £'000	Group, Unallocated and consolidation adjustments £'000	Total £'000
Revenue - total	73,990	78,741	-	152,731	50,495	47,584	-	98,079
Revenue - internal	(2,315)	(8,815)	-	(11,130)	(7,298)	(1,046)	-	(8,344)
Revenue	71,675	69,926	-	141,601	43,197	46,538	-	89,735
EBITDA before exceptional items	5,435	1,954	-	7,389	3,142	1,293		4,435
Depreciation and amortisation on computer software	(1,170)	(149)	-	(1,319)	(458)	(377)	-	(835)
Operating profit / (loss) before exceptional items	4,265	1,805	-	6,070	2,684	916	-	3,600
Exceptional items	-	-	(1,109)	(1,109)	-	-	(1,490)	(1,490)
Operating profit	4,265	1,805	(1,109)	4,961	2,684	916	(1,490)	2,110
Net finance income / (costs)	-	-	114	114	-	-	(32)	(32)
Profit before taxation				5,075				2,078
Taxation				(1,041)				(853)
Profit after taxation from Continuing Operations				4,034				1,225
Loss for the period from Discontinued operations				-				(324)
Profit for the financial year				4,034				901
Profit attributable to non-controlling interests				561				454
Profit attributable to the owners of the parent				3,473				447

Exceptional items relate to the CTI transaction cost. Due to the central nature of these costs, they have not been allocated to a segment.

Consolidated Balance Sheet	Property £'000	IE £'000	Group, Unallocated and consolidation adjustments £'000	**Total 2018 £'000**	Property £'000	IE £'000	Group, Unallocated and consolidation adjustments £'000	Total 2017 £'000
Goodwill	6,424	9,812	-	**16,236**	6,716	9,812	-	**16,528**
Other segment assets	40,205	8,312	(6,111)	**42,406**	40,436	8,235	(8,913)	**39,758**
Segment assets	46,629	18,124	(6,111)	**58,642**	47,152	18,047	(8,913)	**56,286**
Unallocated assets								
Current tax assets	-	-	168	**168**	-	-	452	**452**
Deferred tax assets	-	-	1,019	**1,019**	-	-	1,206	**1,206**
Total assets	46,629	18,124	(4,924)	**59,829**	47,152	18,047	(7,255)	**57,944**
Segment liabilities	(28,361)	(5,735)	8,602	**(25,494)**	(29,633)	(6,016)	10,938	**(24,711)**
Unallocated liabilities								
Financial liabilities	-	-	(68)	**(68)**	-	-	(452)	**(452)**
Current tax liabilities	-	-	(1,433)	**(1,433)**	-	-	(3,622)	**(3,622)**
Total liabilities	(28,361)	(5,735)	7,101	**(26,995)**	(29,633)	(6,016)	6,864	**(28,785)**
Net assets	18,268	12,389	2,177	**32,834**	17,519	12,031	(391)	**29,159**
Capital expenditure	366	33	925	**1,324**	178	8	549	**735**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SEGMENTAL REPORTING (CONTINUED)

Segmental analysis of net finance costs has not been disclosed as the Directors are of the opinion that its components cannot be meaningfully analysed across regions and classes of business.
Internal revenue is work done on behalf of fellow group undertakings on an arm's length basis. External revenue reported to the Board is measured in a manner consistent with that in the Consolidated Income Statement.

Operating results by business unit are assessed prior to exceptional items.

Unallocated and consolidation adjustments consist primarily of intercompany balances which are eliminated on consolidation and balances related to the Group overdraft facility. The Group has the right to offset the cash and overdraft balances between Group companies and hence includes the net balance, if any, within Cash and cash equivalents.

GEOGRAPHIC SEGMENTAL ANALYSIS

Year ended 31 December 2018	UK £'000	Australia £'000	Europe £'000	Group £'000	Total £'000
External revenue – by client location	121,621	11,244	8,736	-	**141,601**
Segment assets - by location of asset	50,237	8,493	6,014	(4,915)	**59,829**
Capital expenditure	33	74	290	927	**1,324**
Year ended 30 June 2017	UK £'000	Australia £'000	Europe £'000	Group £'000	Total £'000
External revenue – by client location	77,511	7,615	4,609	-	**89,735**
Segment assets - by location of asset	52,477	8,719	4,003	(7,255)	**57,944**
Capital expenditure	29	81	76	549	**735**

3. EMPLOYEE BENEFITS EXPENSE

	18-month period ended 31-December 2018 £'000	Year ended 30 June 2017 £'000
Staff costs including Executive Directors remuneration amounted to:		
Wages and salaries	**72,594**	46,478
Share based payments	**-**	824
Social security costs	**7,473**	4,842
Other pension costs	**3,634**	2,203
Total – employee benefits expense	**83,701**	54,347
The average monthly number of salaried employees including executive Directors during the period were as follows:		
		Number
Technical	**795**	796
Non-technical	**132**	127
Total salaried employees	**927**	923

The average monthly number of temporary and contract staff during the period was 337 (year ended 30 June 2017: 301). The costs relating to contract staff are included in other operating charges.
Pensions contributions outstanding at 31 December 2018 were £304,000 (30 June 2017: £238,000).

Wages and salaries includes £1,109,000 exceptional employee remuneration payments (year ended 30 June 2017: £nil). Share based payments include £nil exceptional items (year ended 30 June 2017: £705,000).

4. OTHER OPERATING CHARGES

	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Other operating charges / (gains) include:		
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	**135**	83
Fees payable to the Company's auditors and their associates for other services:		
- the audit of the parent company's subsidiary undertakings pursuant to legislation	**228**	150
- other services pursuant to legislation	**27**	49
Operating lease rentals		
- property	**2,772**	1,699
- plant and equipment	**848**	593
Gain on foreign exchange	**16**	33
Rents receivable	**-**	(24)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. EXCEPTIONAL ITEMS

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

	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Employee Benefit Costs		
Share based payments	-	705
Employee remuneration payments	1,109	-
Other operating charges		
Transaction Costs	-	785
Taxation	(211)	(139)
Total exceptional items	898	1,351

Exceptional items all relate to the costs associated with the acquisition of Waterman Group by CTI Engineering Co. Ltd.

6. FINANCE COSTS

	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Interest payable on bank loans and invoice discounting facility	92	47
Other interest payable	-	3
Interest payable	92	50

7. TAXATION

a) ANALYSIS OF CHARGE IN THE PERIOD

	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
United Kingdom		
Corporation tax at 19% (year ended 30 June 2017: 19.75%)	200	471
Adjustments in respect of prior years	(83)	(327)
	117	144
Foreign		
Corporation taxes	584	433
Adjustments in respect of prior years	8	(22)
Total current tax	709	555
United Kingdom		
Origination and reversal of temporary differences	338	(236)
Adjustments in respect of prior years	26	531
	364	295
Foreign		
Origination and reversal of temporary differences	(22)	4
Adjustments in respect of prior years	(10)	(1)
Total deferred tax	332	298
Taxation	1,041	853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. TAXATION (CONTINUED)

b) FACTORS AFFECTING TAXATION FOR THE PERIOD

The following table shows a reconciliation from the expected corporation tax charge, using the UK corporation tax rate for 2018 of 19% (2017: 19.75%) to the reported tax charge. The reconciling items represent, other than the impact of tax rate differentials and changes, non-taxable income or non-deductible expenses arising from the difference between the local tax base and the reported financial statements.

The total tax charge in future years will be affected by any changes in the corporation tax rates in force in the countries in which the Group operates as shown in Note 13 to the Consolidated Financial Statements.

	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Profit before taxation	**5,075**	**2,078**
Taxation on profit at standard UK rate of 19% (year ended 30 June 2017: 19.75%)	**965**	**410**
Effects of:		
Expenses not deductible for tax purposes	**149**	**323**
Income not taxable	**(7)**	**(40)**
Share based payments	**-**	**(81)**
Adjustments in respect of foreign tax rates	**133**	**117**
Losses utilised	**(140)**	**(57)**
Sub-total	**1,100**	**672**
Adjustments in respect of prior years	**(59)**	**165**
Change in tax rate	**-**	**16**
Total taxation charge	**1,041**	**853**

The UK corporation tax rate will be 17% from 1 April 2020 and this has been reflected in the Consolidated Financial Statements.

8. DISCONTINUED OPERATIONS

No operations were discontinued in the current financial period.

In the prior period, the Board decided to discontinue trading in Poland. By 30 June 2017 all revenue generating activities in Poland had ceased and the operations were classified as discontinued. The expenses disclosed below are shown net of a £320,000 foreign exchange gain arising on liquidation of the Moscow legal entity, which has discontinued trading in January 2014.

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

	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Revenue	-	109
Expenses	-	(433)
Loss before tax	-	(324)
Taxation	-	-
Loss after tax from Discontinued operations	-	(324)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDENDS

Dividends charged to equity in the year	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Final dividend	-	551
Interim dividend	-	490
Total dividend paid	-	1,041
Final dividend proposed for payment in January 2018 of nil (2017: 1.8p) per share	-	-

A dividend of £544,000 (year ended 30 June 2017: £512,000) was paid to the non-controlling interests during the period.

10. GOODWILL

	Group £'000
Cost	
1 July 2016	16,719
Exchange rate adjustments	303
1 July 2017	17,022
Exchange rate adjustments	(292)
31 December 2018	**16,730**
Accumulated impairment	
1 July 2016, 1 July 2017 and **31 December 2018**	**(494)**
Net book amount	
31 December 2018	**16,236**
30 June 2017	16,528

Goodwill is not amortised but is tested for impairment in accordance with IAS 36 'Impairment of assets' at least annually or more frequently if events or changes in circumstances indicate a potential impairment.

Goodwill is allocated to the Group's cash-generating units (CGUs) in order to carry out impairment tests. Goodwill of £4.5m within the Australian CGU is attributable to the acquisition of the Group's Australian businesses, including the acquisition of AHW Pty Limited ("AHW"). The impairment test involves comparing the carrying value of the CGU to which the goodwill has been allocated to their recoverable amount. The recoverable amount of all CGUs has been determined based on value in use calculations. An impairment loss is recognised immediately the carrying value of those assets exceeds their recoverable amount.

Value in use calculations

The value in use calculations use cash flow projections based on the following financial year's budget as approved by the Board and strategic plans of the relevant CGUs for the remaining four years. The key assumptions in the budget and strategic plans relate to revenue and profit margins and are based on actual results from previous years, existing committed and contracted workload, management expectations of market developments and future workload demand, and pricing in each market or country of operation. The projections do not include the impact of future restructuring projects to which the Group is not yet committed.

Growth rates are based on the economic environment of the country in which the CGU operates. As required by IAS 36, cash flows beyond the five year period are extrapolated based on the long term average growth rate for the primary country in which the CGU operates. The growth rates are derived from the IMF World Economic Outlook published GDP growth rates.

The cash flows have been discounted using CGU specific pre-tax discount rates. The discount rates have been calculated based on the Group's weighted average (pre-tax real) cost of capital using the capital asset pricing model to determine the cost of equity and risks specific to the CGU. The discount rates are reviewed annually using updated market information.

The excess of the value in use to the goodwill carrying values for each CGU gives the level of headroom in each CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. GOODWILL (CONTINUED)

Key Assumptions

The growth rate and discount rate assumptions used for the internal value in use calculations are as follows:

	Group 31 December 2018	Group 30 June 2017
Average revenue growth rate / (decline) over the first five years	**3.0% - 10.0%**	3.0% - 20.0%
Post five year growth rate	**1.568% - 3.199%**	1.762% - 2.950%
Weighted average pre-tax real cost of capital (discount rate)	**12.0% - 14.4%**	12.0% - 14.4%

This range of assumptions has been used for the analysis of each CGU or group of CGUs within the Group's operating segments.

Sensitivity Analysis

Sensitivity analysis has been performed on the goodwill in relation to each CGU by changing the key assumptions applicable to each CGU.

Given the lower headroom (2018: £0.05m, 2017: £0.21m) compared to the previous year derived by the value in use calculations for the AHW CGU, more detailed sensitivity analysis has been performed upon this CGU which has goodwill of £2.145m. The assumption to which the calculations are most sensitive is the pre-tax discount rate. Specific sensitivity analysis with regards to this assumption shows that the pre-tax discount rate would need to increase from 14.4% to 14.7% before any impairment would be triggered for AHW.

Whilst revenue is considered a key assumption, if the business performance was below expectations, management would take actions in order to seek to control the net cash flow impact.

Total forecast cash flow would need to decrease by 2.6% before any impairment would be triggered for AHW. For the other CGUs, the analysis has indicated that no reasonably possible changes in the individual key assumptions would cause the carrying amount of the goodwill in the business unit to exceed its recoverable amount.

The value of goodwill in use for the AHW CGU exceeds its carrying value by £0.05m (3%).

	Decrease in cashflow before impairment required	Increase in Discount factor before impairment required	Reduction in growth rate before impairment required	Increase in equity beta before impairment required
Waterman AHW Pty Ltd	2.6 %	0.2%	0.2%	3.6%

Conclusion

Based on these internal valuations, the recoverable value of goodwill as at 31 December 2018 requires no impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER INTANGIBLE ASSETS

	Computer software £'000	Customer relationships £'000	Order book £'000	Total £'000
Cost				
1 July 2016	2,323	2,770	204	5,297
Additions	17	-	-	17
Disposals	(531)	-	-	(531)
Exchange rate adjustments	19	-	-	19
1 July 2017	1,828	2,770	204	4,802
Additions	34	-	-	34
Disposals	-	-	-	-
Exchange rate adjustments	(9)	-	-	(9)
31 December 2018	**1,853**	**2,770**	**204**	**4,827**
Accumulated amortisation				
1 July 2016	2,245	2,770	204	5,219
Charge for the year	34	-	-	34
Disposals	(525)	-	-	(525)
Exchange rate adjustments	19	-	-	19
1 July 2017	1,773	2;770	204	4,747
Charge for the year	46	-	-	46
Disposals	-	-	-	-
Exchange rate adjustments	(9)	-	-	(9)
31 December 2018	**1,810**	**2,770**	**204**	**4,784**
Net book amount				
31 December 2018	**43**	**-**	**-**	**43**
30 June 2017	55	-	-	55

There are no intangible assets with indefinite lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY PLANT AND EQUIPMENT

	Freehold land & buildings £'000	Plant, equipment & motor vehicles £'000	Total £'000
Cost or valuation			
1 July 2016	718	9,921	10,639
Additions	-	719	719
Disposals	-	(987)	(987)
Exchange rate adjustments	-	83	83
1 July 2017	718	9,736	10,454
Additions	-	1,290	1,290
Disposals	-	(239)	(239)
Exchange rate adjustments	-	(35)	(35)
31 December 2018	**718**	**10,752**	**11,470**
Accumulated depreciation			
1 July 2016	100	7,972	8,072
Charge for the year	7	794	801
Disposals	-	(970)	(970)
Exchange rate adjustments	-	66	66
1 July 2017	107	7,862	7,969
Charge for the year	11	1,262	1,273
Disposals	-	(239)	(239)
Exchange rate adjustments	-	(25)	(25)
31 December 2018	**118**	**8,860**	**8,978**
Net book amount			
31 December 2018	**600**	**1,892**	**2,492**
30 June 2017	611	1,874	2,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INVESTMENTS

	31 December 2018 £'000	30 June 2017 £'000
Loan and receivables at net book value	10	10

The following companies are the subsidiary undertakings at 31 December 2018 and all are consolidated:

	Country of registration / incorporation	Class and percentage of ordinary equity and votes held	Class and percentage of ordinary equity and votes held	Nature of business	Registered address
Waterman AHW Pty Limited	Australia	100%	100%	Mechanical, electrical and structural consultancy*	31 Hunter Street, Sydney, NSW 2000
Waterman AHW (Queensland) Pty Limited	Australia	100%	100%	Mechanical, electrical and structural consultancy*	31 Hunter Street, Sydney, NSW 2000
Waterman AHW (Victoria) Pty Limited	Australia	51%	51%	Mechanical, electrical and structural consultancy	60 Park St, South Melbourne, VIC 3205
Waterman Aspen Limited	England	100%	100%	Engineering secondment consultancy**	Pickfords Wharf, Clink Street, London, SE1 9DG
Waterman Boreham Limited	England	100%	100%	Traffic engineering and transport planning consultancy	Pickfords Wharf, Clink Street, London, SE1 9DG
Waterman Building Services Limited	England	100%	100%	Mechanical and electrical consultancy	Pickfords Wharf, Clink Street, London, SE1 9DG
Waterman Consulting Engineers India Private Limited	India	100%	100%	Structural engineering consultancy	43 Amal Nagar, Kannada Alayam, West Tambaram, Chennai, Tamil Nadu, 600045
Waterman Energy, Environment & Design Limited	England	100%	100%	Environmental, energy, waste and power engineering consultancy	Pickfords Wharf, Clink Street, London, SE1 9DG
Waterman Infrastructure & Environment Limited	England	100%	100%	Civil engineering & environmental consultancy	Pickfords Wharf, Clink Street, London, SE1 9DG
Waterman International (Asia) Pty Limited	Australia	100%	100%	Intermediate holding company*	31 Hunter Street, Sydney, NSW 2000
Waterman International Holdings Limited	England	100%	100%	Intermediate holding company	Pickfords Wharf, Clink Street, London, SE1 9DG
Waterman International Kazakhstan o.o.o.	Kazakhstan	100%	100%	Multi-discipline consultancy*	Republic of Kazakhstan, 050016, Almaty, Zhetysuskii district, Syunbay avenue, house 31, apt.4
Waterman International Polska Sp. z o.o.	Poland	100%	100%	Multi-discipline consultancy*	ul. Przemyslawa Gintrowskiego 31, 02-697 Warszawa
Waterman International Limited	England	100%	100%	Multi-discipline consultancy*	Pickfords Wharf, Clink Street, London, SE1 9DG
Waterman International (London) Limited	England	100%	100%	Multi-discipline consultancy*	Pickfords Wharf, Clink Street, London, SE1 9DG
Waterman Middle East Pty Limited	Australia	100%	100%	Mechanical, electrical and structural consultancy*	31 Hunter Street, Sydney, NSW 2000
Waterman Moylan Consulting Engineers Limited	Republic of Ireland	100%	100%	Civil and structural engineering consultancy***	Block S, EastPoint Business Park, Alfie Byrne Road, Dublin DO3 H3F4
Waterman Structures Limited	England	100%	100%	Structural engineering consultancy	Pickfords Wharf, Clink Street, London, SE1 9DG
Moylan Engineering Limited	Republic of Ireland	100%	100%	Intermediate holding company	Block S, EastPoint Business Park, Alfie Byrne Road, Dublin DO3 H3F4

The equity of these subsidiary undertakings is directly held by the Company except where indicated by asterisks.
* interest held indirectly through Waterman International Holdings Limited
** interest held indirectly through Waterman Infrastructure & Environment Limited
*** interest held indirectly through Moylan Engineering Limited

Waterman (Tianjin) Construction Design Limited was liquidated in the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. LONG TERM CONTRACTS

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
Total costs incurred	163,371	160,638
Profit recognised as income (less recognised losses)	30,327	24,124
Work in progress for third parties	193,698	184,762
Invoicing on account to customers	(198,193)	(188,044)
	(4,495)	(3,282)
Of which work in progress for third parties is disclosed as:		
Amounts due from customers on long term contracts (note 15)	6,104	8,012
Amounts due to customers on long term contracts (note 17)	(10,599)	(11,294)
	(4,495)	(3,282)

15. TRADE AND OTHER RECEIVABLES

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
Trade receivables	26,477	22,026
Less: Provision for impairment of receivables	(2,698)	(2,419)
Trade receivables (net)	23,779	19,607
Amounts due from customers on long term contracts (note 14)	6,104	8,012
Current tax	168	452
Prepayments and accrued income	3,133	2,413
	33,184	30,484

In line with IFRS 7 all of the items above excluding prepayments are classified as loans and receivables.

As of 31 December 2018, trade receivables over 30 days from the date of issue of £17.1m (30 June 2017: £9.8m) were considered for potential impairment. The amount provided for these balances was £2.7m (30 June 2017: £2.4m). The allocation of the provision according to the date from the issue of invoice is as follows:

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
Less than 30 days	-	-
Between 30 and 60 days	3	-
Between 60 and 90 days	-	-
Between 90 and 120 days	5	16
Greater than 120 days	2,690	2,403
	2,698	2,419

As of 31 December 2018, trade receivables of £14.6m (30 June 2017: £7.4m) 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 2018 £'000	Group 30 June 2017 £'000
Less than 30 days	-	-
Between 30 and 60 days	7,556	2,629
Between 60 and 90 days	2,785	1,904
Between 90 and 120 days	1,787	1,085
Greater than 120 days	2,453	1,771
	14,581	7,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
Sterling	**28,774**	27,280
Australian dollar	**1,794**	1,659
UAE dirham	**9**	10
Euro	**2,304**	1,233
Polish zloty	**18**	53
Indian rupee	**285**	243
Chinese renminbi	**-**	6
	33,184	30,484

Movements on the Group provision for impairment of trade receivables are as follows:

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
At 1 July	**2,419**	2,784
Provision for receivables impairment	**966**	351
Receivables written off during the year as uncollectible	**(262)**	(711)
Unused amounts reversed or collected	**(452)**	(97)
Exchange rate adjustments	**27**	92
At 31 December / 30 June	**2,698**	2,419

The impairment is disclosed within other operating charges in the Consolidated Income Statement. The other classes within Trade and Other Receivables do not contain any impaired assets.

The Group assesses at the balance sheet date whether there is objective evidence of impairment of trade receivables. Evidence of impairment may include that a debtor or group of debtors is experiencing financial difficulty, default in payments, the probability that they will enter bankruptcy or other financial reorganisation, or where observable data indicates that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions which correlate with defaults. Trade receivables which are neither past due nor impaired are assumed to be of good quality and will be paid.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the Consolidated Cash Flow Statement:

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
Cash at bank	**6,845**	7,176
Drawdown on invoice discounting facility	**-**	-
Cash and cash equivalents	**6,845**	7,176

In line with IFRS 7, cash and cash equivalents are classified as loans and receivables.

The profile of the Group's Cash at bank is:

	31 December 2018 Floating rate financial assets £'000	31 December 2018 Fixed rate financial assets £'000	31 December 2018 £'000	30 June 2017 Floating rate financial assets £'000	30 June 2017 Fixed rate financial assets £'000	30 June 2017 £'000
Sterling	2,383	-	**2,383**	3,624	-	3,624
Australian dollar	1,430	556	**1,986**	1,342	622	1,964
Euro	2,326	-	**2,326**	1,268	-	1,268
UAE dirham	5	-	**5**	70	-	70
US dollar	33	-	**33**	3	-	3
Polish zloty	30	-	**30**	33	-	33
Chinese renminbi	-	-	**-**	15	-	15
Indian Rupee	82	-	**82**	199	-	199
	6,289	556	**6,845**	6,554	622	7,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. TRADE AND OTHER PAYABLES

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
Trade payables	**1,983**	**3,521**
Amounts due to customers on long term contracts (note 14)	**10,599**	**11,294**
Other taxes and social security	**3,932**	**5,537**
Current tax	**191**	**119**
Other payables	**1,213**	**966**
Accruals	**6,352**	**5,133**
	24,270	**26,570**

In line with IFRS 7, trade and other payables excluding corporation tax are classified as financial liabilities at amortised cost.

18. FINANCIAL LIABILITIES - BORROWINGS

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
Current		
Bank loans	**68**	224
	68	224
Non-current		
Bank loans	**-**	183
	-	183

The Group has one Australian dollar bank loan which after the period end was repaid in March 2019. The loan was at a floating interest rate of 2.5% above Australian LIBOR. In line with IFRS 7, this was classified as fair value through profit and loss.

The loan was secured by a fixed and floating charge over certain Group assets and was subject to three financial covenants which were tested half yearly.

The maturity profile of the carrying amount of the Group's non-current liabilities at 31 December 2018 was as follows:

	31 December 2018 Bank loans £'000	30 June 2017 Bank loans £'000
Between one and two years	**-**	**183**
Between two and five years	**-**	-
In more than five years	**-**	-
	-	**183**

All of the Group's liabilities are included in the table below. The carrying amounts of those liabilities are denominated in the following currencies:

	31 December 2018 Floating rate *financial liabilities* £'000	31 December 2018 Fixed rate *financial liabilities* £'000	31 December 2018 £'000	30 June 2017 Floating rate *financial liabilities* £'000	30 June 2017 Fixed rate *financial liabilities* £'000	30 June 2017 £'000
Trade and other payables						
- Sterling	-	-	**20,203**	-	-	22,932
- Australian dollar	-	-	**1,089**	-	-	1,010
- Euro	-	-	**2,479**	-	-	1,343
- UAE dirham	-	-	**132**	-	-	639
- Polish zloty	-	-	**105**	-	-	224
- US dollar	-	-	**220**	-	-	191
- Indian rupee	-	-	**42**	-	-	228
- Chinese renminbi	-	-	**-**	-	-	3
	-	-	**24,270**	-	-	26,570
Bank loans and invoice discounting facility						
- Australian dollar	68	-	**68**	407	-	407
	68	-	**68**	407	-	407

All trade and other payables and borrowings are disclosed at their contractual undiscounted values since the impact of discounting is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. PROVISIONS

	Liability Insurance claims £'000	Property provisions £'000	**Group 31 December 2018 £'000**	Liability Insurance claims £'000	Property provisions £'000	Group 30 June 2017 £'000
1 July	1,808	-	**1,808**	2,018	17	2,035
Charged to the Consolidated Income Statement	1,186	-	**1,186**	642	-	642
Released to the Consolidated Income Statement	(117)	-	**(117)**	(374)	(17)	(391)
Sub-total	1,069	-	**1,069**	268	(17)	251
Utilised	(234)	-	**(234)**	(480)	-	(480)
Exchange rate adjustments	14	-	**14**	2	-	2
Discount	-	-	-	-	-	-
31 December / 30 June	2,657	-	**2,657**	1,808	-	1,808

Liability insurance claim provisions reflect the Board's estimate of the 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.

20. SHARE CAPITAL

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

	Issued and fully paid Number	£'000
At 1 July 2016	**30,758,824**	**3,076**
Shares issued to satisfy share option schemes	**2,540,000**	**254**
30 June 2017	**33,298,824**	**3,330**
31 December 2018	**33,298,824**	**3,330**

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.

During the prior year, 2,540,000 shares were issued to the Employee Benefit Trust for a consideration of £254,000 to satisfy the awards vested under the Long Term Investment Plan.

21. SHARE BASED PAYMENTS

During the prior year, the Group had two share based payment arrangements in operation. Details are set out below:

a) LONG TERM INCENTIVE PLAN (LTIP)

At the Annual General Meeting held on 5 December 2014, shareholders approved the creation of a new LTIP for Executive Directors and key employees which were to be settled in equity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE BASED PAYMENTS (CONTINUED)

Following the acquisition by CTI Engineering Co. Ltd. most of the awards vested.

A summary of the awards during the prior period is as follows:

Award date	9 December 2014
Scheme maturity	10 years
Maximum term	5 years
Weighted average exercise price	140p
Awards outstanding at 30 June 2015 and 2016	3,000,000
Awards vested during the year	2,540,000
Awards expired during the year	460,000
Awards outstanding at 30 June 2017	Nil

The Group used the Monte Carlo valuation model to value its LTIP shares using the market price at the date of the 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 was to reward employees for past performance and to incentivise future performance. Awards were to be settled from shares already in issue.

On 19 December 2014, an award of 200 free shares per full time employee was made to qualifying employees. On 6 January 2016, a further award of 200 free shares per full time employee was made to qualifying employees.

On 22 January 2017, a further 220 free shares per full time employee was made to qualifying employees.

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 could purchase Waterman shares up to a market value of £1,800 in any tax year from their monthly gross salary.

Following the acquisition by CTI Engineering Co. Ltd, awards held by qualifying employees were purchased at 140 pence per share.

22. MERGER RESERVE

The merger reserve represents the value received in excess of nominal value on shares issued pursuant to business combinations where company law prohibits the recording of a premium. Included within the Retained earnings balance brought forward is an amount of £1,133,000 (30 June 2017: £1,133,000) relating to the write off of purchased goodwill prior to the transition to IFRS.

23. RECONCILIATION OF NET CASH FLOW TO NET FUNDS

	Group 18-month period ended 31 December 2018 £'000	Group Year ended 30 June 2017 £'000
(Decrease)/Increase in cash and cash equivalents in the period	**(229)**	635
Net decrease in borrowings	**339**	572
Total increase in net funds resulting from cash flows	**110**	1,207
Exchange rate adjustments	**(102)**	113
Total increase in net funds in the period	**8**	1,320
Opening net funds	**6,769**	5,449
Closing net funds	**6,777**	6,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. ANALYSIS OF NET FUNDS

	Group 1 July 2017 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**Group 31 December 2018 £'000**
Cash at bank	7,176	(229)	-	(102)	**6,845**
Drawdown on invoice discounting facility	-	-	-	-	**-**
Total of cash and cash equivalents	7,176	(229)	-	(102)	**6,845**
Current					
Bank loans	(224)	339	(183)	-	**(68)**
Non-current					
Bank loans	(183)	-	183	-	**-**
Total of bank loans	(407)	339	-	-	**(68)**
Net funds	6,769	110	-	(102)	**6,777**

At 31 December 2018, £1.4m (30 June 2017: £1.4m) of the cash and cash equivalents were held in subsidiaries not wholly owned by the Group, of which £0.7m (30 June 2017: £0.7m) was attributable to the non-controlling interests.

25. DEFERRED TAXATION

Deferred tax is provided in full on temporary differences under the liability method. The deferred tax balances have been calculated with reference to the enacted UK corporation tax rates of 20% to 31 March 2017, 19% from 1 April 2017 and 17% from 1 April 2020.

Deferred tax asset

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
At 1 July	**1,206**	**1,219**
Charged to the Consolidated Income Statement	**(332)**	**(298)**
Charged to equity	**186**	**42**
Transfer from corporation tax	**-**	**225**
Exchange rate adjustments	**(41)**	**18**
At 31 December / 30 June	**1,019**	**1,206**

An analysis of the deferred tax balances and the movements in temporary differences of deferred tax assets and liabilities during the year (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) are show below:

	Group 1 July 2017 £'000	Equity £'000	Income £'000	Foreign exchange £'000	Transfer from corporation tax £'000	**Group 31 December 2018 £'000**
Property, plant and equipment	30	-	12	-	-	**42**
Other intangible assets	(2)	-	(3)	-	-	**(5)**
Provisions	254	-	(25)	(24)	-	**205**
Pensions	37	-	20	-	-	**57**
Losses carried forward	887	186	(336)	(17)	-	**720**
Asset	1,206	186	(332)	(41)	-	**1,019**

	Group 1 July 2016 £'000	Equity £'000	Income £'000	Foreign exchange £'000	Rate change £'000	Group 30 June 2017 £'000
Property, plant and equipment	(16)	-	46	-	-	30
Other intangible assets	26	-	(28)	-	-	(2)
Provisions	235	-	(42)	7	54	254
Pensions	25	-	12	-	-	37
Losses carried forward	949	42	(286)	11	171	887
Asset	1,219	42	(298)	18	225	1,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DEFERRED TAXATION (CONTINUED)

Partial provision has been made for deferred taxation assets and liabilities which have been offset only to the extent that they relate to the same taxation regime.

The deferred tax asset at 31 December 2018, taking into consideration the offsetting balances within the same jurisdiction are £1,019,000 (2017: £1,206,000). The assets and liabilities expected to reverse between one and five years are £545,000 (2017: £691,000) and more than five years are £86,000 (2017: £92,000).

Deferred tax has been calculated using estimates based on the current manner of recovery of the assets' value on property, plant and equipment not eligible for capital allowances that is recovery through continued use in the business unless the asset is held for sale. This method assumes no tax relief will be available; therefore no tax base is available for inclusion within the calculation of deferred tax unless the assets' value is recoverable through sale rather than continued use.

No deferred tax has been recognised on overseas tax losses of £328,000 (2017: £1,546,000) and UK tax losses of £3,764,000 (2017: £4,084,000).

The key assumptions in the calculation of deferred tax are set out below:

a) Capital expenditure – the percentage of capital expenditure incurred by each unit that would quality for tax relief has been estimated based on prior years' historical experience of the split between qualifying and non-qualifying expenditure.

b) Depreciation – the depreciation rate for assets that do not qualify for the initial recognition exemption has been estimated based on actual data for the most recent accounting periods.

c) Overseas tax losses – are not recognised to the extent that the losses cannot be utilised in the foreseeable future based on the latest profit projections for that territory.

26. RELATED PARTY TRANSACTIONS

The Directors have identified 25 (year ended 30 June 2017: 25) key management personnel whose compensation was as follows: -

	Group 18-month period ended 31 December 2018 £'000	Group Year ended 30 June 2017 £'000
Short term benefits (including gain on exercise of share awards)	**6,693**	7,456
Post-employment benefits	**88**	79
	6,781	7,535

No further related party transactions are required to be disclosed for the 18-month period ended 31 December 2018.

27. FINANCIAL COMMITMENTS

There was no capital expenditure relating to property, plant and equipment contracted but not provided for at the period end (30 June 2017: £98,534).

The Company and certain of its subsidiary undertakings cross guaranteed the bank loans of the Group at 31 December 2018. Invoice discounting facilities provided to two subsidiary undertakings are secured by a fixed and floating charge over the assets of those companies.

At 31 December 2018 the future aggregate minimum lease payments under non-cancellable operating leases are as follows: -

	Property		Plant and equipment	
	Group 31 December 2018 £'000	Group 30 June 2017 £'000	**Group 31 December 2018 £'000**	Group 30 June 2017 £'000
Not later than one year	**1,922**	1,797	**427**	550
Later than one year and not later than five years	**3,017**	4,780	**395**	494
Later than five years	**-**	382	**-**	-
	4,939	6,959	**822**	1,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. EMPLOYEE BENEFIT TRUST (EBT)

Between 2001 and 2008, Waterman Group made awards of free shares to its executives and staff through a Share Incentive Plan (SIP). The awards were satisfied by issued shares and controlled through the Employee Benefit Trust (EBT). The EBT was able to appropriate SIP shares using funds provided by the Group to purchase company shares in the open market. Since 2008, no further awards will be made under this SIP which has now expired.

The distribution of shares through this plan was arranged through Waterman Trustees Limited, a related company formed to administer the EBT. Following the approach and acquisition by CTI Engineering Co. Ltd, shares held by the EBT were purchased at 140 pence per share on 21 July 2017.

The assets of the EBT at 31 December 2018 have been incorporated into the Group Balance Sheet as follows:

	Group 31 December 2018 £'000	Group 30 June 2017 £'000
Cash	12	12
	12	12
Represented by:		
Income tax payable	2	2
Amounts due to Parent Company	207	385
Amounts payable to staff leavers	4	4
Retained deficit	(201)	(201)
Own shares at valuation	-	(178)
	12	12

29. DIRECTORS' EMOLUMENTS

Directors' emoluments during the year amounted to:

	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Aggregate emoluments for qualifying services (year ended 30 June 2017 includes gain on exercise of share awards of £1.4m)	2,311	2,639
Company contributions to money purchase pension schemes	27	10
2 Directors have retirement benefits accruing under money purchase pension schemes (year ended 30 June 2017: 1).		
Highest paid Director		
Aggregate emoluments including gains on exercise of share options	825	1,174
Company contributions to money purchase pension scheme	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS

The carrying value of all of the Group's financial assets approximates to their fair value and they are classified as loans and receivables being the total of cash and cash equivalents and trade and other receivables (excluding prepayments of £2,582,000 (30 June 2017: £2,324,000). The carrying value of all of the Group's financial liabilities approximates to their fair value being the total of trade and other payables, current borrowings and non-current borrowings and provisions.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates, liquidity and interest rates. An explanation of the board's objectives and strategies for holding and issuing financial instruments is set out in the Financial Review on page 4 with the relevant accounting policies explained in note 1 to the Consolidated Financial Statements.

a) FOREIGN CURRENCY RISK

The Group operates in a number of international territories and is exposed to foreign exchange risk primarily with respect to the Australian dollar and Euro. Most trading activity is denominated in the relevant local functional currency thereby matching the revenue flows with the cost base. Foreign currency risk arises from a proportion of commercial transactions undertaken in currencies other than the local functional currency, from financial assets and liabilities denominated in currencies other than the local functional currency and on the Group's investments in foreign operations.

During the year ended 30 June 2015, the Group designated a loan of £830,000, which is denominated in Australian dollars (AUD), as the hedging instrument in a net investment hedge relationship. The hedged risk is the foreign exchange currency risk on the value of the Group's net investment of 20% in Waterman International (Asia) Pty. The fair value and carrying amount of the borrowings as at 31 December 2018 was £68,000 (30 June 2017: £407,000). The net gain or loss on the translation of the borrowings under this arrangement is recognised in Other Comprehensive Income. The net effect on Other Comprehensive Income for the 18-month period ended 31 December 2018 was £15,000 (year ended 30 June 2017: £44,000). There was no ineffectiveness to be recorded from net investments in foreign currency hedges.

Trade receivables, trade payables and bank accounts denominated in currencies other than the local functional currency arising from commercial transactions are immaterial at 31 December 2018. Inter-company funding balances in currencies other than the local functional currency are hedged where this is considered to be appropriate.

Floating rate financial assets earn interest based primarily on UK, Euro and Australian base interest rates. The fair value of the financial assets equates to their book values. All of the Group's financial assets are due within one year.

At 31 December 2018, if sterling had weakened/strengthened by 10% against the Australian dollar with all other variables held constant, the profit for the 18-month financial year would have been £99,000 (year ended 30 June 2017: £107,000) higher/lower, principally as a result of foreign exchange gains/losses on translation of Australian dollar denominated trade receivables.

At 31 December 2018, if sterling had weakened/strengthened by 10% against the Euro with all other variables held constant, the profit for the 18-month financial period would have been £102,000 (year ended 30 June 2017: £41,000) higher/lower, principally as a result of foreign exchange gains/losses on translation of Euro denominated trade receivables and borrowings.

b) INTEREST RATE RISK

The weighted average rate of interest on the floating rate financial liabilities at 31 December 2018 is 4.54% (30 June 2017: 6.19%) with a weighted average expiry of 0 years (30 June 2017: 2 years). At 31 December 2018, there were no fixed rate liabilities or finance lease obligations.

At 31 December 2018, if interest rates on UK sterling denominated borrowings had been 50 basis points higher / lower with all other variables held constant, the profit for the financial year would have been £1,800 (year ended 30 June 2017: £2,600) lower / higher mainly as a result of higher / lower interest expense on floating rate borrowings.

c) LIQUIDITY RISK

The Group finance team monitor forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. These facilities comprise bank overdraft, guarantee and invoice discounting facilities and provide short term flexibility in liquid resources. At 31 December 2018, these facilities, where all conditions precedent have been met, were £10.6m (30 June 2017: £11.7m) which expire within one year. Cash flow forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Surplus cash held by the operating entities, above the balance required for short term working capital management, is invested in interest bearing current accounts, time deposits and overnight money market deposits to earn interest at rates close to the prevailing local base rates. At 31 December 2018, the Group had £6.8m of cash and cash equivalents held in bank accounts (30 June 2017: £7.2m) which is immediately available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONTINUED)

d) CREDIT RISK

Concentrations of credit risk with respect to trade receivables are limited due to the Group's adherence to its credit risk policy.

Management assesses credit limits on a project by project basis. Levels of working capital balances are reviewed and acted upon on a monthly basis by senior management in order to mitigate such credit risk. Credit risk in respect of cash and deposits is limited and mitigated by the counterparties who are financial institutions with high credit ratings.

e) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability as a going concern in order to provide returns for its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital. Close attention is given to the timely billing of trade receivables and work in progress and conversion into cash in order to minimise the risk of a payment default and level of working capital carried.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to its shareholder, return capital to its shareholder, issue new shares or sell assets to reduce debt.

At 31 December 2018, the Group had net funds of £6.8m (30 June 2017: £6.8m). Its annualised return on average capital employed for the 18-month period was 51.6% (year ended 30 June 2017: 53.9%).

31. ULTIMATE CONTROLLING PARTY

The ultimate controlling party of the Company is CTI Engineering Co. Ltd, a Company incorporated and registered in Japan. The address of its registered office is Nihonbashi-hamacho F Tower, 3-21-1 Nihonbashi-Hamacho, Chuo-ku, Tokyo.

Independent auditors' report to the members of Waterman Group plc

Report on the audit of the company financial statements

Opinion
In our opinion, Waterman Group plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2018;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Company Balance Sheet as at 31 December 2018; Company Statement of Changes in Equity for the 18 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of Waterman Group plc for the 18 month period ended 31 December 2018.

K Wolstenholme

Kate Wolstenholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 June 2019

PARENT COMPANY FINANCIAL STATEMENTS

The following Parent Company Financial Statements are prepared under FRS 101 and relate to the Company and not to the Group. The Statement of Accounting Policies which have been applied to these Financial Statements can be found on page 49 and a separate independent auditors' report on pages 45-46.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 £'000	30 June 2017 £'000
ASSETS			
Non-current assets			
Intangible assets		**26**	11
Property, plant and equipment	36	**2,002**	2,092
Investments	37	**19,641**	19,641
		21,669	21,744
Current assets			
Trade and other receivables	38	**12,096**	10,693
Current tax asset	39	**422**	670
Deferred tax asset		**10**	11
		12,528	11,374
Creditors – amounts falling due within one year	40	**(11,649)**	(10,636)
Deferred tax liability		**-**	-
Net current assets		**879**	738
Total assets less current liabilities		**22,548**	22,482
Creditors – amounts falling due after more than one year	41	**-**	(188)
Net Assets		**22,548**	22,294
EQUITY			
Called up share capital	44	**3,330**	3,330
Share premium account		**11,881**	11,881
Merger reserve		**3,144**	3,144
Retained earnings		**4,193**	3,939
Total shareholders' funds		**22,548**	22,294

The Parent Company loss after tax of £166,000 (year ended 30 June 2017: loss of £1,211,000) is after dividends receivable from subsidiaries of £441,000 (year ended 30 June 2017: £nil).

The Financial Statements which comprise the Company Balance Sheet, Company Statement of Changes in Equity and related notes were approved by the Board on 27 June 2019 and signed on its behalf by:

N Taylor

Nicholas Taylor
Chief Executive

The notes on pages 49 to 54 are an integral part of these Parent Company Financial Statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE 18-MONTH PERIOD ENDED 31 DECEMBER 2018

	Called up share capital £ '000	Share premium account £ '000	Merger reserve £ '000	Retained earnings £ '000	**Total £'000**
Balance at 30 June 2016	3,076	11,881	3,144	6,260	24,361
Shares issued to satisfy share option schemes	254	-	-	(254)	-
Other comprehensive (expense)	254	-	-	(254)	-
Loss for the financial year	-	-	-	(1,211)	(1,211)
Total comprehensive (expense)	254	-	-	(1,465)	(1,211)
Dividend	-	-	-	(1,041)	(1,041)
Tax on share based payments	-	-	-	185	185
Balance at 30 June 2017	**3,330**	**11,881**	**3,144**	**3,939**	**22,294**
Share-based payment adjustment - LTIP	-	-	-	420	420
Other comprehensive income	-	-	-	420	420
Loss for the 18-month financial period	-	-	-	(166)	(166)
Total comprehensive income	-	-	-	254	254
Balance at 31 December 2018	**3,330**	**11,881**	**3,144**	**4,193**	**22,548**

The notes on pages 49 to 54 are an integral part of these Parent Company Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

32. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The Financial Statements of Waterman Group plc (company) have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with the Companies Act 2006.

BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements and in accordance with FRS 101:

- Paragraph 45(b) to 56 of IFRS 2, Share-based payment (details of the number of weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, Financial Instruments: Disclosures
- Paragraphs 91 to 99 of IFRS 13, Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative information requirements in respect of:
    - Paragraph 79(a)(iv) of IAS 1
    - Paragraph 73 (e) of IAS 16 Property, plant and equipment
    - Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, Presentation of Financial Statements:
    - 10 (d) Statement of Cash Flows
    - 10 (f) a Statement of Financial Position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its Financial Statements, or when it reclassifies items in its Financial Statements)
    - 16 Statement of compliance with all IFRS
    - 38A requirement for minimum of two primary statements, including Cash Flow Statements
    - 38BB-D Additional comparative information
    - 40 A-D Requirements for a third Statement of Financial Position
    - 111 Cash flow statement information
    - 134 – 136 Capital management disclosures
- IAS 7, Statement of Cash Flows
- Paragraph 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, Related party disclosures (key management compensation)
- The requirements of IAS 24, Related party disclosures, to disclose related party transactions entered into between two or more members of a group

The more significant accounting policies are set out below. They have all been applied consistently throughout the current and preceding year unless otherwise noted.

GOING CONCERN

The financial statements have been prepared on a going concern basis under the historical cost convention with the exception of land and freehold property which have been modified to fair value and separately identifiable intangibles acquired on business combinations which have been measured at fair value.

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty particularly over the level of demand for the Company's products. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

SOURCES OF ESTIMATION UNCERTAINTY

The Company accounting policy for Sources of Estimation Uncertainty is consistent with the Group Sources of Estimation Uncertainty Policy set out in note 1 to the Consolidated Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

32. ACCOUNTING POLICIES (CONTINUED)

CRITICAL JUDGMENTS
The Company accounting policy for critical judgments is consistent with the Group critical judgments policy set out in note 1 to the Consolidated Financial Statements.

EMPLOYEE BENEFITS
The Company accounting policy for employee benefits is consistent with the Group employee benefits policy as set out in note 1 to the Consolidated Financial Statements.

TANGIBLE FIXED ASSETS AND DEPRECIATION
Tangible fixed assets are stated at cost when acquired, less accumulated depreciation and when appropriate, provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost of tangible fixed assets less estimated residual values over the expected useful economic lives of the assets concerned. The annual rates used are:

Freehold buildings	2% per annum straight line or lease period if less
Plant, equipment and motor vehicles	15-33% per annum straight line
Freehold land is not depreciated	

INVESTMENTS
Investments are included in the Balance Sheet at cost less amounts written off, representing impairment in value.

As at 1 July 2014, in accordance with IFRS 1 'First time adoption of International Financial Reporting Standards' the Company has measured all investments at a deemed cost, being the previous UK GAAP carrying value at this date.

The Company assesses these investments for impairment wherever events or a change in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount is less that the value of the investment, then the investment is considered to be impaired and is written down to its recoverable amount and an impairment loss is to be recognised immediately in profit and loss.

BORROWINGS
The Company's accounting policy for borrowings is consistent with the Group borrowings policy as set out in note 1 to the Consolidated Financial Statements.

LEASES
The Company's accounting policy for leases is consistent with the Group leases policy as set out in note 1 to the Consolidated Financial Statements.

DEFERRED TAXATION
Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

FINANCIAL RISK MANAGEMENT
The Company policy for managing financial risk is consistent with the Group financial risk management policy as set out in note 1 to the Consolidated Financial Statements.

33. LOSS FOR THE PERIOD

The Company has not presented its own Income Statement and the Statement of Comprehensive Income as permitted by section 408 of the Companies Act 2006.

The auditors' remuneration for audit services to the Company was £30,000 (year ended 30 June 2017: £20,000).

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

34. DIRECTORS' EMOLUMENTS

Directors' emoluments during the year amounted to:

	18-month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Aggregate emoluments for qualifying services (year ended 30 June 2017 includes gain on exercise of share awards of £1.4m)	**2,311**	2,639
Company contributions to money purchase pension schemes	**27**	10
1 Director has retirement benefits accruing under money purchase pension schemes (year ended 30 June 2017: 1).		
Highest paid Director		
Aggregate emoluments including gains on exercise of share options	**825**	1,174
Company contributions to money purchase pension scheme	**-**	-

35. DIVIDENDS

Dividends proposed and paid in the year are disclosed in note 9 to the Consolidated Financial Statements.

36. PROPERTY PLANT AND EQUIPMENT

	Freehold land & buildings £'000	Plant, equipment & motor vehicles £'000	Total £'000
Cost or valuation			
1 July 2017	718	7,605	**8,323**
Additions	-	891	**891**
31 December 2018	718	8,496	**9,214**
Accumulated depreciation			
1 July 2017	87	6,144	**6,231**
Charge for the year	12	969	**981**
31 December 2018	99	7,113	**7,212**
Net book amount			
31 December 2018	**619**	**1,383**	**2,002**
30 June 2017	631	1,461	2,092

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

37. INVESTMENTS

	2018 Shares in group undertakings £'000	2018 Long term loan to group undertaking £'000	2018 Total £'000	2017 Shares in group undertakings £'000	2017 Long term loan to group undertaking £'000	2017 Total £'000
At 1 July 2017 and **31 December 2018**	**17,778**	**1,863**	19,641	17,778	1,863	19,641

During the year the Company received dividends from subsidiaries of £440,963 (2017: £nil).

Investments comprise ordinary shares in:

Investments in Waterman Aspen Limited
Investments in Waterman Building Services Limited
Investments in Waterman CPM Limited
Investments in Waterman Group Insurance Company Limited
Investments in Waterman Boreham Limited
Investments in Moylan Engineering Limited
Investments in Waterman Consulting Engineers India Private Limited

None of the ordinary shares in these companies are publicly traded. The company owns 100% of the ordinary shares (2017: 100%).

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Further details and the registered address of the Company's subsidiary undertakings at 31 December 2018 are disclosed in note 13 to the Consolidated Financial Statements.

38. TRADE AND OTHER RECEIVABLES

	31 December 2018 £'000	30 June 2017 £'000
Trade receivables	-	28
Amounts owed by Group undertakings	10,563	9,242
Other receivables	84	8
Prepayments and accrued income	1,449	1,415
	12,096	10,693

Amounts due from Group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

39. CURRENT TAX ASSET

The balance held by the Company at 31 December 2018 is £422,000 (30 June 2017: £670,000).

40. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018 £'000	30 June 2017 £'000
Bank Loans and overdrafts	8,228	3,724
Trade payables	742	851
Amounts owed to subsidiary undertakings	979	4,278
Other taxes and social security	-	56
Other payables	2	38
Accruals	1,698	1,689
	11,649	10,636

Amounts due to Group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

41. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2018 £'000	30 June 2017 £'000
Non-current		
Bank loans	-	188
	-	188

The Company has one Australian dollar bank loan which was repaid after the period end in March 2019. The loan was at a floating interest rate of 2.5% above Australian LIBOR. The loan was secured by a fixed and floating charge over certain Company assets and was subject to three financial covenants which were tested half yearly.

Further disclosure relating to the Company's bank loans is shown in note 18 to the Consolidated Financial Statements.

42. FINANCIAL COMMITMENTS

At 31 December, the future aggregate minimum lease payments under non-cancellable operating leases are as follows: -

	Property		Plant and equipment	
	31 December 2018 £'000	30 June 2017 £'000	**31 December 2018 £'000**	30 June 2017 £'000
Not later than one year	**1,423**	1,358	**10**	22
Later than one year and not later than five years	**2,491**	4,202	**7**	16
Later than five years	**-**	382	**-**	-
	3,914	5,942	**17**	38

43. PROVISIONS FOR LIABILITIES

	31 December 2018 £'000	30 June 2017 £'000
Property provisions		
At 1 July	-	17
Released to the Income Statement	-	(17)
At 31 December / 30 June	**-**	-

44. CALLED UP SHARE CAPITAL

The detailed breakdown of share capital together with options and awards over the Company's shares outstanding at 31 December 2018 are set out in notes 20 and 21 to the Consolidated Financial Statements.

45. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions under paragraph 8(k) of FRS 101 not to disclose transactions between wholly owned Group companies. See note 26 of the Consolidated Financial Statements for disclosure of key management personnel.

	Year ended 30 June 2014 £'000	Year ended 30 June 2015 £'000	Year ended 30 June 2016 (restated) £'000	Year ended 30 June 2017 £'000	**18-month period ended 31 December 2018 £'000**
Revenue	68,840	83,938	90,944	89,735	**141,601**
Profit before taxation	810	2,383	3,685	2,078	**5,075**
Profit / (loss) attributable to the Owners of the Parent	(3,616)	1,361	2,336	447	**3.473**

The Five Year Results Summary above relates to the Group Consolidated Financial Statements and not those of the Parent Company.

COMPANY INFORMATION AND ADVISERS

COMPANY REGISTERED OFFICE
Pickfords Wharf, Clink Street, London, SE1 9DG

COMPANY REGISTRATION NUMBER
02188844

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH

SOLICITORS
Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2HA

PRINCIPAL BANKERS
HSBC Bank plc, 8 Victoria Street Westminster London SW1H 0NJ