freshwater UK PLC
Annual Report and Accounts 2016

Contents

Financial and Operational Highlights for the year ended 31 August 2016

Financial Highlights

	2016	2015
Turnover increased by 20%	£5.05m	£4.20m
Revenue increased by 10%	£3.82m	£3.49m
EBITDA increased by 22%	£0.92m	£0.75m
*[1] Headline EBITDA increased by 14%	£0.91m	£0.80m
Operating profit increased by 26%	£0.84m	£0.67m
Profit before income tax increased by 26%	£0.81m	£0.65m
*[2] Net cash flow from operating activities increased by 9%	£0.75m	£0.68m
Net current assets increased 61%	£0.72m	£0.45m
Earnings per share increased 29 %	3.17p	2.45p

Proposed payment of a final dividend for 2015-16 of 1.20p, following interim dividend of 0.75p paid in May 2016.

*[1] See note 5 for details on the headline and actual EBITDA calculation.

*[2] Cash flows are stated before interest and tax.

Operational Highlights

- Celebrated opening a new, larger London office to accommodate a growing team in the capital and provide better facilities for client meetings and training events.
- Delivered 16% growth in the healthcare sector, which now accounts for 30% of group revenue (2015: 28%).
- Increased transport sector revenue by 49% to firmly establish it as the group's third largest market accounting for 16% of revenue (2015: 11%).
- Continued to win new projects through five Welsh Government supplier frameworks for which we were selected in 2015.
- Expanded from four to six profit centres to reflect growth in the healthcare sector and in brand/channel consultancy.
- Completed our largest ever Direct Mail campaign involving a single mail-out to 900,000 recipients and adding substantially to turnover.
- Delivered a fifth successive year of growth in Waterfront, the group's training and conference division which now contributes more than £0.5m to group revenue.
- Increased revenue per full time equivalent employee and consultant to £80,167 (2015: £79,643).
- Hold the maximum credit rating available, after eliminating debt and strengthening balance sheet substantially.

FRESHWATER UK PLC

Chief Executive's & Chairman's Statement

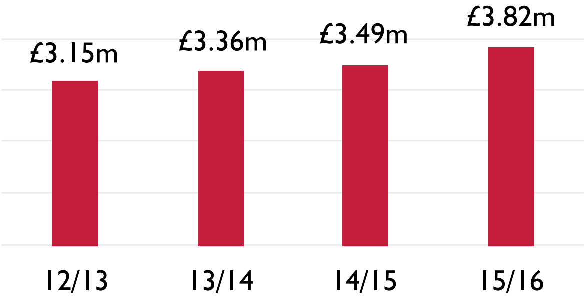
David Howell, Non-Executive Chairman

Steve Howell, Chief Executive

Introduction

Once again, we are pleased to report healthy revenue growth and all round progress in strengthening the business operationally and financially. Freshwater has enjoyed four years of growth and is well placed to continue this trend, building on its strong position in key markets and its high profile as a leading independent communications business.

Revenue growth



Having grown 9.5% in the year to £3.82m, revenue is now 21% higher than in 2012-13 when we started an organic growth drive that prioritised the London market and the sectors we saw as having the greatest potential, such as transport and healthcare.

While we now have all our permanent staff based in either Cardiff or London, we retain the capacity for UK-wide service delivery and have in 2015-16 provided support for clients across the UK, including in Scotland and the north of England.

The year saw us create several new posts and increase the number of profit centres from four to six with new dedicated teams for healthcare and brand/channel consultancy to complement the existing divisions: London and Wales consultancy, Creative Media Production and Waterfront (conferences and training).

The six divisions are led by directors who, with the group managing director, finance director and head of HR, form an effective senior management team responsible for day-to-day operations and delivery of budget targets.

This team has a strong focus on, firstly, delivering services of exceptional quality within rigorous systems for ensuring profitability and, secondly, winning new business, especially from larger clients in the key sectors we now prioritise. This has resulted in growth being achieved without compromising the financial goals that underpin a healthy business.

Financial Review

Freshwater achieved high levels of profitability and cash flow and continued to strengthen its balance sheet while increasing dividend payments.

Operating profit increased 26% to £0.84m (2015: £0.67m) and EBITDA (Earnings Before Interest Tax, Depreciation and Amortisation) grew by 22% to £0.92m (2015: £0.75m).

Our strong focus on cost control meant that revenue growth in the year was delivered at a two percentage points higher EBITDA margin of 23.9% (2015: 21.5%), which is comfortably at the top end of the industry spectrum.

Cash flow from operating actives before tax and interest increased 9% to £0.75m (2015: £0.68m). We closed 2015-16 with a cash balance of £0.53m (2015: 0.45m) after paying dividends of £0.38m and tax of £0.17m, including a partial prepayment for the year in line with HMRC rules.

A final payment to clear our bank loan at the start of the year means we are now debt free apart from a small equipment lease. Nevertheless, we have retained a £0.10m unused overdraft facility with NatWest to provide added working capital headroom should it be needed. Overall, net current assets increased 61% to £0.72m (2015: £0.45m).

Freshwater's strong balance sheet means our credit rating is now at a maximum score of 100 (from Experian), which is a positive factor when we pitch for new business particularly in the public sector and with larger clients.

Although the group's profit has brought with it higher tax payments, earnings per share continued to climb and now stands 29% higher than last year at 3.17p.

Dividend

The 2014-15 final dividend of 1.1p was paid on 15 January 2016, bringing the total for that year to 1.6p. This was followed by an interim dividend for 2015-16 of 0.75p, which was paid on 16 May 2016.

Given the strong full-year results, the board is delighted to propose a 1.20p final dividend for 2015-16, taking the total for the year to 1.95p, a 22% increase on the previous year. The 1.95p combined interim and final dividend is covered 1.62 times by the group's profit after tax for the year.

The 1.20p final dividend will be paid on 21 January 2017 to shareholders on the register on 30 December 2016.

EPS +29%

Unite: event management of 2016 Policy Conference

Operational Review

The group provided services to 141 clients during the year, with the top ten being: Thompsons Solicitors, Cumbria Success Regime, Unite, East Kent Hospitals NHS Trust, Alstom, Welsh Government, North West London NHS Trust, Specsavers, Associated British Ports and Cavendish Square Group. The largest client, Thompsons, accounted for 22% of revenue as in the previous year. The share of revenue of top ten clients combined was 65% compared to 63% in 2014-15.

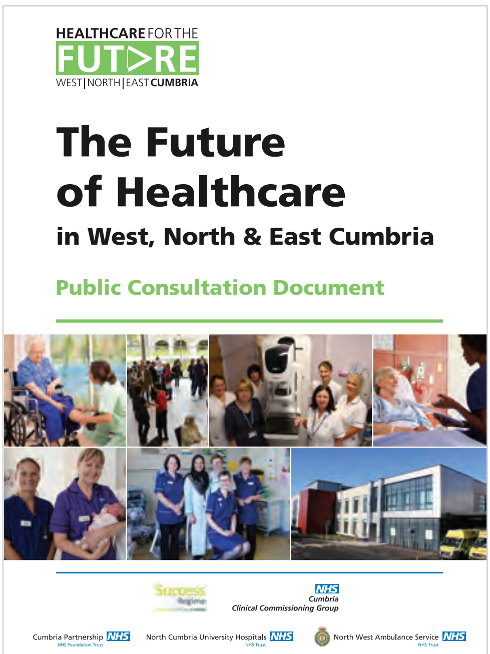
Freshwater operated through six profit centres in 2015-16 with revenue divided as follows: London Consultancy – 21%, Wales Consultancy – 22%, Healthcare (London) – 20%, Brand and Channel Consultancy (Cardiff) – 14%, Creative Media Production (Cardiff) – 10% and Training and Conferences (Waterfront/London-based) – 13%. A large proportion of the revenue of the three Wales-based divisions comes from clients in London and other parts of the UK.

Freshwater employed 54 staff at the year-end, compared to 45 at the end of 2014-15, along with a number of consultants and freelancers on ongoing or regular projects. Our use of freelancers and consultants has increased in recent years to meet variable needs, both geographically and in terms of specialist skills, and now accounts for 10% of employment costs.

Average revenue per full time equivalent employee, including consultants and freelancers, increased 1% to £80,167 (2015: £79,643). Employee costs per FTE, calculated on the same basis, decreased 13% to £40,369 (2015: £46,886).

The group's revenue continues to be broadly spread across the public, private and not-for-profit sectors and our growing conference and training business.

	2016	**2015**
Private sector	45.1%	45.6%
Public sector	33.3%	35.4%
Voluntary/not-for-profit	8.5%	7.8%
Waterfront (conference and training)	13.1%	11.2%


HEALTHCARE FOR THE FUTURE
WEST | NORTH | EAST CUMBRIA

The Future of Healthcare

in West, North & East Cumbria

Public Consultation Document

Success Regime
NHS Cumbria Clinical Commissioning Group
Cumbria Partnership NHS Foundation Trust · North Cumbria University Hospitals NHS Trust · North West Ambulance Service NHS Trust

Cumbria Success Regime: a major NHS stakeholder engagement programme

Chief Executive's & Chairman's Statement (continued)

Operational Review (continued)

EBITDA +22%

Waterfront Conference Company: infrastructure conference

The breakdown of revenue by market/industry type reflects the priority we have given to healthcare, transport and the union/not-for-profit sector (which is included in professional & business services), as follows:

	2016	2015
Professional & Business Services	41.4%	43.1%
Healthcare	29.9%	28.4%
Transport	15.7%	11.2%
Industry	4.5%	4.1%
Consumer & Retail	3.8%	5.1%
Education	2.7%	4.8%
Leisure & Hospitality	1.0%	1.7%
Housing & Property	1.0%	1.6%

Our approach to providing services is to create the best team to meet a client's needs, drawing from several divisions when necessary. About a third of healthcare sector revenue is therefore delivered by members of other teams, while four teams share in generating transport, union/not-for-profit and Thompsons revenue. This cross-team working is a significant strength, built on a long-standing integrated approach to multi-channel communication and rewarded through the remuneration structure for senior team members.

Notable new business successes during the year include:

- Selection for supplier frameworks by London and Quadrant Housing, Tarmac and the Welsh Language Commission.
- Winning retained contracts with several clients including rail supplier Alstom, a leading firm of Welsh accountants, licensed confectionery company Bon Bon Buddies, taxi firm Veezu and commercial property agents Cushman and Wakefield.
- The awarding of projects under the Welsh Government framework to promote the South East Wales Metro, Positive Parenting, a Green Growth Summit and the 2016 National Assembly for Wales elections.
- Being appointed to handle major engagement and communication programmes for a number of NHS organisations across the UK.

In addition, existing contractual arrangements with long-standing clients, including Thompsons Solicitors, Specsavers and Associated British Ports, were retained or renewed.

Waterfront has been a key part of the group's success over the last four years. Revenue growth of 29% to just over £0.5m means our conference and training division has nearly quadrupled its contribution to the group since 2011-12. The division now has an established programme of around 30 policy conferences annually, some of which generate as much revenue as a large consultancy client.

Welsh Government's Positive Parenting Campaign: multi-channel communications, including video, social media, outdoor and cinema advertising

FRESHWATER UK PLC

Chief Executive's & Chairman's Statement (continued)

Operational Review (continued)

Revenue +10%

Thompsons Solicitors: #feedingfatcats campaign to oppose reforms restricting rights of injured people

Waterfront also provides an invaluable networking platform for the wider group in the policy fields on which it focuses: transport, energy and planning/infrastructure. This synergy between Waterfront and the rest of the group has long been recognised as of value in generating contacts and leads but we can now say Waterfront is a major contributor to the group's profitable growth in its own right.

A key element of our success has been the maintenance of high professional standards and investment in our staff. Freshwater has been accredited under the PRCA's Consultancy Management Standard for ten years and recently passed the latest audit with a high score. We are also accredited by the Living Wage Foundation, and we go into 2016-17 operating an internship scheme with two posts filled at the real Living Wage rate.

Outlook

Next year will see Freshwater mark 20 years since it started as a sole trader consultancy in Wales. Throughout those two decades we have overcome numerous challenges and built a sound and resilient business that now has a strong balance sheet and is enjoying steady profitable growth.

We therefore have every confidence that we can continue to make progress, even though Brexit has made the wider economic environment more uncertain than usual.

As ever, the creativity, professionalism and commitment our staff will be crucial. We have an outstanding team that produces exceptional work for clients, and the board is grateful to them for all their hard work during the year without which these results could not have been achieved.

The group is trading in line with the board's expectations, and we look forward to reporting on progress after the half year.

Steve Howell	**David Howell**
Chief Executive	Chairman

23 December 2016

Associated British Ports: wide-ranging stakeholder communications activity

Board of Directors

David Howell, Non-Executive Chairman:

David Howell was appointed to the board of the company in 2004 and served as chairman until March 2007. David remained as a non-executive of the company until his resignation on 8 June 2009. David was re-appointed to the board as a non-executive director on 1 October 2010. On 29 September 2011 David replaced Marie-Louise Windeler as non-executive chairman. He is the executive chairman of Profile Consultancy Limited, a specialist commercial property consultancy providing service charge, insurance management and building consultancy services to many of the UK's FTSE 100 companies. He is also managing director of privately-owned Hillco Investments (UK) Limited, which holds a diverse portfolio of assets and investments.

Steve Howell, Chief Executive:

Steve Howell founded the business as a PR consultancy in 1997 and has led its development into a diverse media group offering multi-channel communication consultancy, training, conferences, video production and digital. A former newspaper and BBC broadcast journalist, Steve provides strategic consultancy to a number of key Freshwater clients and is one of the group's media trainers. He is a columnist for the Guardian and Western Mail and the author of a novel, Over The Line. He graduated in Economic and Social History from the University of Sheffield and is a Fellow of the Chartered Institute of Public Relations.

Haydn Evans, Finance Director:

Haydn Evans was appointed to the board in May 2003. He has 15 years' experience in the telecommunications sector having worked for Mitel Networks Corporation and Nortel Networks Corporation in the UK and Paris. Immediately prior to joining Freshwater he was a finance leader within Nortel, heading a 20-strong business team in the UK, Switzerland and Toronto and reporting directly to the vice president of finance. He has been responsible for the due diligence on and the financial integration of the thirteen acquisitions undertaken by Freshwater since his appointment. He is an associate member of the Chartered Institute of Management Accountants.

John Underwood, Executive Director:

John Underwood was appointed to the board in June 2006. In the 1980s, he was an award-winning TV reporter and presenter and worked for the BBC, ITV and Channel Four before becoming director of Communications for the Labour Party. He founded Clear Communications in 1991 and built it into one of the leading communication agencies in the healthcare sector. In addition to his work for Freshwater, John holds an honorary chair at the University of Glasgow and is the director of the Centre for Health Communications Research & Excellence at Bucks New University.

Marie-Louise Windeler, Non-Executive Director:

Marie-Louise Windeler is an experienced senior executive and PR professional, with over 25 years' experience in the PR industry. A former journalist with ITN and the Daily Express, Marie-Louise was CEO of one of the UK's largest PR agencies, Hill and Knowlton UK, where she was responsible for its multi-million pound fee revenue and 275 staff. Marie-Louise has held non-executive directorships at Prime Focus London Plc and VMA Search and is a director of Windeler Cohen Associates LLP which provides strategic management consultancy to a portfolio of clients. She is also a member of the prestigious Marketing Group of Great Britain.

Angharad Neagle, Group Managing Director:

Angharad Neagle has worked in the communications industry for more than 18 years and has extensive multi-channel and sector experience. Having joined Freshwater in February 2008 as part of its acquisition of Merlin PR and Marketing, Angharad was promoted to director of the group's creative division in September 2009 and then to group managing director in September 2013, taking operational responsibility for all client-facing teams. She provides strategic communications advice to a number of Freshwater's clients and works closely with the day-to-day account teams to support clients through critical periods including times of crisis, change and growth. Angharad was appointed to the board on 1 October 2014 and as a director on 12 February 2015.

Senior management team

**Angharad Neagle,
Group Managing Director**

**Haydn Evans,
Finance Director**

**Sarah Whittle,
Head of Human Resources**

**Matthew Warrilow,
Accountant**

**Aled Edwards
Director, Brand Channel Consultancy**

**Heather Jones,
Director, Brand Channel Consultancy**

**Carolyn Pugsley,
Director, Wales**

**Nicola Roberts,
Director, Creative Media Production**

**Lucy Battle,
Director, London**

**Saffron Pineger,
Director, Healthcare**

**Rob Porter,
Director, Waterfront**

**Louise Harris,
Senior Account Director, London**

**Elinor Evans,
Senior Account Director, Brand Channel Consultancy**

**Mitchell Gadd,
Senior Account Director, Healthcare**

**Anna Bowler,
Studio Manager, Creative Media Production**

Strategic Report

The directors present their strategic report for the year ended 31 August 2016.

Business review

We are now in our fourth year of growth and revenue is 21% higher than 2012-13 when we started the focus on prioritising the London market and the sectors that we saw as having the greatest potential such as transport and healthcare. Our financial position continues to strengthen and we end the year debt free with a healthy cash balance after paying out dividends of £0.38m and net current assets up 61% in the year to £0.72m.

We provided services to over 140 clients in the year across a range of sectors and saw strong growth in our Healthcare and Transport portfolios.

We are particularly pleased with the performance in Waterfront which has been a key part of the group's success over the last four years. Revenue growth of 29% to just over £0.5m means our conference and training division has nearly quadrupled its contribution to the group since 2011-12. The division now has an established programme of around 30 policy conferences annually, some of which generate as much revenue as a large consultancy client.

Financial review

The profit and total comprehensive income for the year amounted to £643,517 (2015: £497,786).

All the group's key trading and financial indicators were positive: revenue has increased by 10%, profitability remains above industry averages, operating cash flow has increased and net current assets strengthened by 61% to £0.72m in the year. The bank loan was cleared during 2014-15 and we go into 2016-17 debt free.

Risks and uncertainties

Our principle risks and uncertainties essentially remain the same over the years and can be categorised as follows:

Client loss

Our business is all about client relationships which are fundamental to the business' success. Some turnover, however, is normal and to be expected. The business puts a good deal of effort into ensuring a good spread of clients across regions, specialisms and sectors to reduce the risk of any one area having an overly large dominance on the business, and to mitigate the impact of any individual loss. In the year ended 31 August 2016, Freshwater provided services to over 140 clients across 8 sectors.

Economic

Our industry like others has not been immune to recent prolonged economic downturn particularly as our client base is almost exclusively UK based, and at a macro level there is the possibility of increased competition to satisfy reduced demand from a rapidly changing market place and the uncertainty around Brexit. We believe, however, that Freshwater is well placed to compete in these challenging times and is helped in this by its broad base of clients and sectors covered as well as good balance of private and public sector work.

Staff loss

As a people-based business our staff play a critical role in our client offering, and the loss of key staff could be a risk to our client relationships. To offset this risk, we have developed a team-based approach to client service, so that where possible no one member of staff is the sole point of contact with any given client. The group additionally seeks to pursue employment practices that attract, retain and develop the talent it needs for its ongoing success.

Risks and uncertainties (continued)

Performance

Companies are required to provide shareholders with a strategic report that both reviews the performance of the business and analyses that performance using key performance indicators. The performance review should be balanced and comprehensive in outlining the position of the company's business and inform shareholders about how the directors have performed their duty to promote the success of the company. Moreover, in using financial and non-financial KPIs to do this, it should explain the reasons for them, ensure they are properly defined and reconcile them to the amounts included in the financial statements.

Over a number of years, we have explained our KPIs and measured ourselves against them.

The key performance indicators are

	2016	**2015**	**% change**
Revenue growth	£3.82m	£3.49m	+10%
EBITDA as a % of revenue – (KPI 20%)	23.9%	21.5%	
Average revenue per fte employee	£80,167	£79,643	+0.6%
*Employee costs as a proportion of revenue (excluding freelancers and consultants) – (KPI 55%)	51%	53%	

We also monitor and comment on trends in client revenue and endeavour to achieve a mix that is not too reliant on any one sector or client. The board has noted that revenue from our largest client, with whom we enjoy an excellent relationship and have a robust contract, is 22%. This is the same as last year and our aim is to reduce this percentage in future years as the company grows.

Current Trading and Outlook

Over the last four years the group has delivered steady growth in earnings, which is now also underpinned by healthy organic growth. Current trading is in line with the board's expectations.

This report was approved by the board on 12th December 2016 and signed on its behalf by:

J H Evans

Finance Director

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 August 2016.

Principal Activities

The Freshwater group ('the group' or 'Freshwater') comprises Freshwater UK Plc (the 'company') and its subsidiary undertakings. The group's principal activity is the provision of public relations and marketing services. The company operates as a service company providing staff and administrative services to other group members.

Results and Dividends

The group's results are on page 18. The board is proposing to pay a final dividend of 1.20p per ordinary share during 2016-17 adding to the 0.75p interim dividend paid in May 2016. The company paid total dividends of 1.85p per ordinary share during 2015-16.

Post balance sheet events

During October 2016 the group renewed its overdraft facility on similar to terms to the previous arrangement. See note 16 for further details.

Directors

The following individuals served as directors of the company during the year:

	Appointed	Resigned	Position at 31 August 2016
S B Howell	25 August 2000	-	Chief Executive
J H Evans	1 May 2003	-	Finance Director
J M Underwood	1 June 2006	-	Executive Director
D Howell	1 October 2010	-	Non-Executive Chairman
M-L Windeler	23 November 2007	-	Non-Executive Director
E A Neagle	12 February 2015	-	Group Managing Director

Ken J Tilley, a former non-executive director, served as company secretary throughout the year. As permitted by the Companies Act 2006, Freshwater UK Plc has directors' and officers' liability insurance.

Directors' Interests

The interests of the directors in the ordinary shares of 10p each of the company at the end of the financial year compared to the prior financial year end were:

	No. of ordinary shares held at		% of ordinary share capital held	
	31 August 2015	31 August 2016	31 August 2015	31 August 2016
S B Howell	1,761,695	1,761,695	8.67%	8.67%
J H Evans	9,377	9,377	0.05%	0.05%
J M Underwood	908,261	908,261	4.47%	4.47%
D Howell	3,150,000	3,150,000	15.51%	15.51%
M-L Windeler	58,308	58,308	0.29%	0.29%
E A Neagle	83,334	83,334	0.41%	0.41%

The above interests include the beneficial interests of the directors and their immediate families and include all shares held in any investment vehicles used.

Directors Interests (continued)

D Howell was appointed non-executive director on 1 October 2010. Prior to his appointment, David already held 2,725,000 shares privately, through Hillco Investments UK Ltd, and via the HLM pension fund, representing 14.37% of the share capital. D Howell is related to S B Howell.

Other than as above none of the company's directors at the end of the financial year had an interest in the shares or debentures of group members. The holdings of the directors in the shares and debentures of group members have remained unchanged since the year end.

J H Evans is interested in options to subscribe for 120,000 ordinary shares and A Neagle is interested in 213,000 options to subscribe for ordinary shares in the company as a result of entering into share option contracts. None of the other directors at the end of the financial year were interested in options over shares or debentures in group members at the year end.

All the options granted to J H Evans and A Neagle have been on similar terms to those advanced to other employees of the group. Further information on the share option contracts entered into by the group is provided in note 25 to the financial statements. No director exercised options during the financial year. This has remained the case since the year end.

Creditor Payment Policy

The group agrees payment terms with its suppliers when it enters into binding purchase contracts. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group seeks to treat all of its suppliers fairly. At the end of the financial year creditor days based on undisputed balances were at 37 for the company (2015: 45) and 37 for the group (2015: 37).

Political and Charitable Donations

During the year the group made political donations of £1,390 (2015: £3,562) and charitable donations of £1,075 (2015: £260). The Political Parties, Elections and Referendums Act 2000 (the 'Act') requires disclosure of any donations to an EU political organisation (including a registered political party in the UK) or EU political expenditure in excess of £200. The terms 'donation', 'EU political organisation' and 'EU political expenditure' are given broad definitions by the Act. As part of its normal work on behalf of clients and as part of its own marketing, the group attends and sponsors events which are organised by political parties or other political organisations. The above disclosed political donation values include expenditure of this nature.

Financial Instruments

A commentary on the financial instruments held by the group and the group's exposure to credit, interest rate and liquidity risk is provided in note 14 to the financial statements.

Corporate Governance

The company is not required to comply with the 'UK Corporate Governance Code' by the Financial Reporting Council and does not report on how it has applied the principles therein or on the extent to which it has complied with the provisions therein throughout the year. The company's directors are however committed to ensuring a high standard of corporate governance in a manner proportionate to the group's size. An insight into the company's current corporate governance practice is provided below.

Board of Directors

The members of the company's board of directors ('the board') are listed above. The board includes both executive and non-executive directors. The roles of chairman and chief executive officer are held by separate individuals. In the situation where executive directors take on non-executive roles the board considers that this does not necessarily affect their independence. In determining whether there are any such issues the board takes into account the previous experience / background of the individual concerned. The board meets regularly and its responsibilities include formulating, reviewing and approving strategy, budgets, acquisitions, capital expenditure and senior personnel appointments.

Audit Committee

The responsibilities of the audit committee include monitoring the integrity of the company's and the group's financial statements, reviewing the external auditor's independence, objectivity and effectiveness and making recommendations to the board in relation to the appointment, reappointment and removal of the external auditor. The following individuals served as members of the audit committee during the year.

	Appointed	Resigned
D Howell	1 October 2010	-
M-L Windeler	1 October 2008	-

Other individuals including other directors of the company and the company's auditor may attend meetings of the audit committee at its request.

Remuneration Committee

The responsibilities of the remuneration committee include reviewing the performance of the company's executive directors and setting the scale and structure of their remuneration and the basis of their service agreements and appointment with due regard to the interests of shareholders. The remuneration committee also determines the bonuses to be paid to executive directors. The following non-executive directors served as members of the remuneration committee during the year:

	Appointed	Resigned
D Howell	1 October 2010	-
M-L Windeler	8 June 2009	-

Other individuals including other directors of the company and the company's auditor may attend meetings of the remuneration committee at its request.

The remuneration of non-executive directors is determined by the executive directors who consider it essential, notwithstanding the size of the company, to recruit and retain individuals of the highest calibre. The executive directors believe it is in the interests of shareholders that non-executive directors should be able to acquire shares and be provided with share options in addition to the fees they receive for their services.

Directors' Report (continued)

Attendance Record

The number of board meetings and committee meetings attended during the year by board and committee members was::

	Board meetings	Audit Committee	Remuneration Committee
S B Howell	5 (5)	-	-
D Howell	5 (5)	2 (2)	1 (1)
J H Evans	5 (5)	-	-
J M Underwood	5 (4)	-	-
M-L Windeler	5 (5)	2 (2)	1 (1)
E A Neagle	5 (5)	-	-

Figures in brackets indicate the number of meetings attended during the year for which the individual was a board or committee member. The company secretary attended all board, audit committee, and remuneration committee meetings during the year. J H Evans attended the two audit committee meetings to report on audit progress. S B Howell attended part of the remuneration meeting to update the committee.

Going Concern

The directors, at the time of approving the financial statements, have determined that there is a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

In reaching this conclusion the directors considered the company's and the group's recent and forecast financial performance and the arrangements in place with the company's and the group's bankers described in note 16 to the financial statements.

Auditor and Disclosure of Information to Auditor

As far as the directors are aware there is no relevant audit information of which the company's auditor is unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

A resolution to appoint Broomfield & Alexander Ltd as auditor to the company was made on 2 June 2016.

This report was approved by the board on 12th December 2016 and signed on its behalf by:

J H Evans

Finance Director

Statement of Directors' responsibilities for the year ended 31 August 2016

The directors are responsible for preparing the strategic report, directors' report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and 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 company and of the profit or loss of the group for that period.

In preparing these financial statements the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent Auditor's report to the members of Freshwater UK Plc

We have audited the financial statements of Freshwater UK Plc for the year ended 31 August 2016 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Audit Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate .

Opinion on financial statements

In our opinion;

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 August 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the chief executives and chairman's statement, the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ian Thomas BSc FCA DChA (Senior Statutory Auditor) for and on behalf of Broomfield & Alexander Limited
Ty Derw
Lime Tree Court
Cardiff Gate Business Park
CARDIFF
UK
CF23 8AB

Consolidated statement of comprehensive income for the year ended 31 August 2016

	Note	2016 £	2015 £
TURNOVER		**5,045,000**	4,198,192
REVENUE		**3,823,459**	3,490,737
Administrative expenses		**(2,981,354)**	(2,820,234)
OPERATING PROFIT		**842,105**	670,503
Finance income	**7**	**1,427**	280
Finance costs	**7**	**(29,389)**	(22,222)
PROFIT BEFORE INCOME TAX	**5**	**814,143**	648,561
Income tax expense	**8**	**(170,626)**	(150,775)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**643,517**	497,786
Basic earnings per share	**26**	**3.17p**	2.45p
Diluted earnings per share	**26**	**3.17p**	2.45p

The notes on pages 25 to 50 are an integral part of these financial statements.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent statement of comprehensive income. The company's loss for the financial year was £19,287 (2015: £130,554 loss).

Consolidated statement of financial position at 31 August 2016

	Note	2016 £	2015 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	242,638	227,862
Intangible assets	11	7,621,835	7,639,634
Deferred tax assets	21	-	6,539
		7,864,473	7,874,035
Current assets			
Cash and cash equivalents	16	527,463	450,124
Trade and other receivables	15	977,406	766,632
		1,504,869	1,216,756
Total assets		9,369,342	9,090,791
EQUITY			
Issued equity capital	22	2,030,849	2,030,849
Capital reduction reserves	23	6,734,715	7,110,422
Other reserves	22	20,000	20,000
Sustained losses		(202,349)	(845,866)
		8,583,215	8,315,405
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	4,939	2,057
Long term borrowings	19	-	6,441
		4,939	8,498
Current liabilities			
Trade and other payables	17	663,543	617,277
Derivative financial instruments	18	-	21,433
Short-term borrowings	19	6,441	10,186
Current tax		111,204	117,992
		781,188	766,888
Total liabilities		786,127	775,386
Total equity and liabilities		9,369,342	9,090,791

The notes on pages 25 to 50 are an integral part of these financial statements. The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12th December 2016 by:

S B Howell
Chief Executive

J H Evans
Finance Director

FRESHWATER UK PLC
COMPANY NUMBER: 4059741 (ENGLAND AND WALES)

Company statement of financial position at 31 August 2016

	Note	2016 £	2015 £
ASSETS			
Non-current assets			
Property, plant and equipment	**10**	**242,638**	227,862
Intangible assets	**11**	**6,352,892**	6,353,888
Investments in subsidiary undertakings	**12**	**1,623,125**	1,623,125
Deferred tax assets	**21**	**-**	6,539
		8,218,655	8,211,414
Current assets			
Cash and cash equivalents	**16**	**60,292**	329,958
Current tax		**50,001**	-
Trade and other receivables	**15**	**103,584**	208,809
		213,877	538,767
Total assets		**8,432,532**	8,750,181
EQUITY			
Issued equity capital	**22**	**2,030,849**	2,030,849
Capital reduction reserves	**23**	**6,734,715**	7,110,422
Other reserves	**22**	**20,000**	20,000
Sustained losses		**(2,017,513)**	(1,998,226)
		6,768,051	7,163,045
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	**21**	**4,939**	-
Long term borrowings	**19**	**-**	6,441
		4,939	6,441
Current liabilities			
Trade and other payables	**17**	**1,653,101**	1,549,076
Derivative financial instruments	**18**	**-**	21,433
Short-term borrowings	**19**	**6,441**	10,186
		1,659,542	1,580,695
Total liabilities		**1,664,481**	1,587,136
Total equity and liabilities		**8,432,532**	8,750,181

The notes on pages 25 to 50 are an integral part of these financial statements. The financial statements were approved and authorised for issue by the board and were signed on its behalf 12th December 2016 by:

S B Howell
Chief Executive

J H Evans
Finance Director

Consolidated statement of changes in equity for the year ended 31 August 2016

	Note	Ordinary shares £	Capital reduction reserve £	Other reserves £	Retained earnings £
31 August 2014		**2,030,849**	**7,415,049**	**20,000**	**(1,343,652)**
Profit and total comprehensive income for the year		-	-	-	497,786
Dividends paid	**24**	-	(304,627)	-	-
Transactions with owners		**-**	**(304,627)**	**-**	**-**
31 August 2015		**2,030,849**	**7,110,422**	**20,000**	**(845,866)**
Profit and total comprehensive income for the year		-	-	-	643,517
Dividends paid	**24**	-	(375,707)	-	-
Transactions with owners		**-**	**(375,707)**	**-**	**-**
31 August 2016		**2,030,849**	**6,734,715**	**20,000**	**(202,349)**

Company statement of changes in equity for the year ended 31 August 2016

	Note	Ordinary shares £	Capital reduction reserve £	Other reserves £	Retained earnings £
31 August 2014		**2,030,849**	**7,415,049**	**20,000**	**(1,867,672)**
Loss and total comprehensive income for the year		-	-	-	(130,554)
Dividends paid	**24**	-	(304,627)	-	-
Transactions with owners		**-**	**(304,627)**	**-**	**-**
31 August 2015		**2,030,849**	**7,110,422**	**20,000**	**(1,998,226)**
Loss and total comprehensive income for the year		-	-	-	(19,287)
Dividends paid	**24**	-	(375,707)	-	-
Transactions with owners		**-**	**(375,707)**	**-**	**-**
31 August 2016		**2,030,849**	**6,734,715**	**20,000**	**(2,017,513)**

Consolidated statement of cash flows for the year ended 31 August 2016

	Note	2016 £	2015 £
Operating profit		**842,105**	670,503
Depreciation of property, plant and equipment	**10**	**64,241**	62,004
Amortisation of other intangible assets	**11**	**17,799**	17,796
Gains on derivative financial instrument	**18**	**(21,433)**	(12,667)
Net losses on disposal of fixed assets	**10**	**11,605**	9,887
Change in trade and other receivables		**(210,774)**	(126,662)
Change in trade and other payables		**46,266**	63,821
		749,809	684,682
Interest received		**1,427**	280
Interest paid		**(29,389)**	(22,222)
Income taxes paid		**(167,993)**	(2,441)
Net cash flow from operating activities		**553,854**	660,299
Proceeds from disposals of property, plant and equipment	10	9,500	300
Purchase of property, plant and equipment	**10**	**(100,122)**	(18,337)
Net cash flow from investing activities		**(90,622)**	(18,037)
Repayment of borrowings		(10,186)	(139,609)
Dividends paid	24	(375,707)	(304,627)
Net cash flow from financing activities		**(385,893)**	(444,236)
Increase in cash and cash equivalents		**77,339**	198,026
Cash and cash equivalents at the start of the period	**16**	**450,124**	252,098
Cash and cash equivalents at the end of the period	**16**	**527,463**	450,124

Company statement of cash flows for the year ended 31 August 2016

	Note	2015 £	2014 £
Operating (loss) / profit		**11,790**	(102,144)
Depreciation of property, plant and equipment	**10**	**64,241**	62,004
Amortisation of other intangible assets	**11**	**996**	996
Gains on derivative financial instrument	**18**	**(21,433)**	(12,667)
Net losses on disposal of fixed assets	**10**	**11,605**	9,887
Change in trade and other receivables		**(10,009)**	4,716
Change in trade and other payables		**4,075**	26,721
		61,265	(10,487)
Interest received		**1,426**	280
Interest paid		**(21,025)**	(22,222)
Income taxes paid		**(50,001)**	(2,249)
Net cash flow from operating activities		**(8,335)**	(34,678)
Proceeds from disposals of property, plant and equipment	**10**	**9,500**	300
Purchase of property, plant and equipment	**10**	**(100,122)**	(18,337)
Net cash flow from investing activities		**(90,622)**	(18,037)
Repayment of borrowings		(10,186)	(139,609)
Change in intra group funding		215,184	962,775
Dividends paid	24	(375,707)	(304,627)
Net cash flow from financing activities		(170,709)	518,539
Increase in cash and cash equivalents		**(269,666)**	465,824
Cash and cash equivalents at the start of the period	**16**	**329,958**	(135,866)
Cash and cash equivalents at the end of the period	**16**	**60,292**	329,958

Notes to the financial statements for the year ended 31 August 2016

1. Freshwater Group

The Freshwater group ('the group') comprises Freshwater UK Plc (the 'company') and its subsidiary undertakings. The company is a limited liability company incorporated and domiciled in the United Kingdom. The company's registered number is 4059741 (England and Wales) and its registered office is Raglan House, Cardiff Gate Business Park, Cardiff, CF23 8BA.

2. Authorisation of financial statements and statement of compliance

The group and company financial statements for the year ended 31 August 2016 ('the financial statements') were authorised for issue by the company's board on 12th December 2016 and signed on the board's behalf by S B Howell and J H Evans.

3. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union ('EU') and in accordance with applicable provisions of the Companies Act 2006. The financial statements have also been prepared on a historical cost basis.

The directors, at the time of approving the financial statements, have determined that there is a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

In reaching this conclusion the directors considered the company's and the group's recent and forecast financial performance and the arrangements in place with the company's and the group's bankers described in note 16 to the financial statements.

a) Adoption of standards effective in 2014-15

There were no standards, amendments or interpretations to IFRSs effective for the first time in the current accounting period.

b) Standards and Interpretations issued but not yet applied or are effective

The following standards, amendments and interpretations have been issued but are not yet effective. Application of these standards, amendments and interpretations is not currently expected to have a material impact on the financial statements in the future. However, the directors have not completed their evaluation of the impact of adoption on the disclosures in the financial statements.

- Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations – effective for annual periods beginning on or after 1 January 2016
- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation – effective for annual periods beginning on or after 1 January 2016
- Amendments to IAS 1, Disclosure Initiative – effective for annual periods beginning on or after 1 January 2016
- Amendments to IAS 27, Equity Method in Separate Financial Statements – effective for annual periods beginning on or after 1 January 2016
- Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception – effective for annual periods beginning on or after 1 January 2016
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – effective for annual periods beginning on or after 1 January 2017
- Amendments to IAS 7 Disclosure Initiative – effective for annual periods beginning on or after 1 January 2017
- IFRS 15 Revenue from Contracts with Customers – effective for annual periods beginning on or after 1 January 2018
- Clarifications to IFRS 15 Revenue from Contracts with Customers – effective for annual periods beginning on or after 1 January 2018
- IFRS 9 Financial Instruments – effective for annual periods beginning on or after 1 January 2018
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions – effective for annual periods beginning on or after 1 January 2018
- IFRS 16 Leases – effective for annual periods beginning on or after 1 January 2019
- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – deferred indefinitely

Notes to the financial statements for the year ended 31 August 2016 (continued)

4. Significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies were consistently applied. The functional currency and presentational currency of the company and each of its subsidiary companies is Sterling.

a) Basis of consolidation

The group financial statements consolidate the financial statements of the company and the entities that it controls (its subsidiaries) drawn up to 31 August each year. Wales World Wide Ltd ceased to trade as at 31st May 2016. Accounts were drawn up to this date and the year end was also changed to the 31st May 2016 for this legal entity. Control comprises the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are incorporated from the date of their acquisition, being the date on which control passed to the group, and continue to be included until the date that such control ceases. The effects of intra-group transactions and intra-group balances are eliminated in full.

b) Revenue and turnover

Revenue comprises professional fees and mark-ups and is stated exclusive of value added tax. The group's revenue relates wholly to the rendering of services and is measured using the stage of completion method. A contract's stage of completion determines the proportion of services delivered (under the contractual terms) and hence the revenue that should be recognised. Specific methods adopted to determine the stage of completion reliably, vary between contracts that involve a significant act of fulfilment, contracts that are earned over a period of time and conferences.

Where the group is party to a single service contract that takes place over time, revenue is recognised as performance takes place. In this situation costs are measured proportionately to work done and to the total cost of the contract. In some scenarios a contract involves an indeterminate number of acts over a specified time. In accordance with IAS 18 Revenue, for practical purposes, revenue is recognised on a straight line basis unless there is evidence that some other method gives a better reflection of the stage of completion at each year end. In such situations, costs are recognised as incurred and neither accrued nor deferred, unless they qualify for recognition as a liability or an asset. Where the group is party to a contract that implies a significant act, revenue is recognised at the time the act has occurred. This arises when recognising revenue relating to an event management day.

Where the group delivers conferences on behalf of a third party the stage of completion is determined relative to estimated work done. Work done is measured on what is recoverable relating to a contractual fee. All revenue is recognised as accrued income and related costs are measured proportionately to work done. Where the group delivers conferences on its own account revenue is recognised in the period in which they are held, but subject to financial year end review. Any income received in respect of conferences (typically received in advance) not staged by the year end is carried forward as deferred income, and costs are capitalised as prepayments. In addition, at financial year ends, where the group delivers conferences on its own account work done on conferences occurring in the first quarter of the subsequent financial year is estimated and recognised as accrued income. This accrued income is reviewed at the subsequent year end and increased or decreased as appropriate in line with the schedule of forthcoming conferences.

Turnover (billings) is revenue stated gross of marginal costs such as postage, print costs and the purchase of advertising space that are incurred in providing a service and that in accordance with industry practice are marked up and passed on to clients. Turnover is stated exclusive of value added tax. Amounts billed to clients in advance are carried in the statement of financial position as deferred income until the related service has been provided or the related cost incurred. Work carried out and costs incurred that are to be marked up and passed on to clients that have yet to be invoiced are included in accrued income.

c) Operating segments

IFRS 8 requires that segmental information be disclosed on the basis of information reported to the chief operating decision maker. The group considers that the role of chief operating decision maker is performed by the group's board of directors. IAS 14 required segmental information to be reported for business segments and geographical segments based on assets and operations that provide products and services subject to different risks and returns.

Although the group has within it different entities located around the United Kingdom operating as wholly-owned subsidiaries, their primary activities materially focus on the provision of public relations and marketing services. It is on this basis the directors consider the group to be one business segment assessable only by its performance as a whole and for the purpose of making decisions about its resources.

d) Dividends

Dividends are recognised in the period in which they are considered to have become no longer at the discretion of the company.

e) Pension Costs

The group operates a defined contribution plan. A defined contribution plan is one where the group pays fixed contributions into a separate entity. These contributions are expensed in the period in which they accrue.

4. Significant accounting policies (continued)

f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The residual values of property, plant and equipment are reassessed annually and when there is an indication of a change in residual value. Property, plant and equipment is depreciated so as to write off cost less estimated residual value over its expected life on the following bases:

- Leasehold land and buildings – 33% straight line
- Leasehold Improvements – 20% straight line
- Fittings and equipment – 10% - 25% reducing balance or on a straight line basis over the lease period where applicable

g) Goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill acquired in a business combination is allocated from the date of acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies of the combination. In the event of the subsequent reorganisation of the cash generating units to which it has been allocated, goodwill is correspondingly reallocated. Cash generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired. An impairment review consists of comparing the carrying value of a cash generating unit to its value in use representative of the fair value of its trade and assets. The carrying value of a cash generating unit includes all of its operating assets and goodwill and its corresponding value in use is the present value of the future cash flows it is expected to generate from those assets. If the carrying amount of a cash generating unit exceeds its value in use an impairment loss is recognised, firstly, by reducing the carrying amount of goodwill, and then by reducing the carrying value of the other assets of the cash generating unit on a pro rata basis. Impairment losses are recognised in the statement of comprehensive income. Impairments of goodwill are not subsequently reversed.

h) Other intangible assets, Internally generated intangible assets and Research and Development

Other intangible assets are as stated in accordance with IAS 38 Intangible Assets, at historical cost less accumulated amortisation and accumulated impairment losses. Expenditures on the development of internally generated intangible assets are capitalised only when it is probable that future economic benefit will result from the asset and the following criteria are met:

- Technical feasibility of the asset has been ascertained;
- Adequate technical, financial and other resources are available to complete and sell or use the intangible asset;
- Generation of future economic benefit and the ability to sell or use the asset can be demonstrated;
- Management's intention to complete the intangible asset and use or sell it; and
- The cost of the intangible asset can be measured reliably.

If any of the above criteria are not met development expenditure is expensed to the statement of comprehensive income in the same manner as research expenditure in accordance with IAS 38 Intangible Assets.

Where intangible assets' useful lives are indefinite they are reviewed for impairment whenever changes in circumstances indicate their carrying value may not be recoverable. Where their useful lives are finite, they are amortised from the date they are available for use over their useful economic lives.

Useful lives applicable are as follows:

- Intellectual property – 20 years
- Internally generated intangible assets – 4 years

Amortisation is included in administrative expenses in the consolidated statement of comprehensive income. Internally generated assets are distinguished from other intangible assets with their respective useful lives clearly defined as either finite or indefinite for each class of intangible asset.

i) Trade receivables

Trade receivables are stated at the original invoice amount less allowances made for doubtful receivables. Provision is made where there is objective evidence that the group will be unable to recover balances in full. Trade receivables are not discounted as the effect would not be material.

j) Derivative financial instruments

The group uses derivative financial instruments to reduce its exposure to interest rate movements. No derivatives are held for financial trading purposes. Derivative financial instruments are initially recognised at fair value at the contract date and continue to be stated at fair value at the statement of financial position date with gains and losses on revaluations being recognised immediately in the statement of comprehensive income. Derivatives are carried as assets where fair value is positive and as liabilities where fair value is negative.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The group overdraft facility is an integral part of the group's cash management strategy and is considered to form part of cash and cash equivalents for the purposes of the statement of cash flows.

l) Trade payables

Trade payables are stated at cost. They are not discounted as the effect would not be material.

4. Significant accounting policies (continued)

m) Borrowings

Borrowings are initially recognised at fair value and are subsequently measured at amortised cost calculated in accordance with the effective interest method.

n) Leases

Where the use of an asset is funded by leasing arrangements that give rights over the asset approximating to ownership, the asset is accounted for as if it has been purchased and recognised at the lower of fair value and the present value of the minimum lease payments, where the discounted effect between fair value and present value is material. The capital element of the obligations, under the associated leasing arrangements, is shown as obligations under finance leases, and lease payments are apportioned between interest which is charged to the statement of comprehensive income and liability which reduces the outstanding obligation so as to give a constant rate of charge on the outstanding lease obligations. All other leases are considered operating leases and payments therefore are recognised as expenses in the statement of comprehensive income on a straight line basis over the lease term.

o) Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Exceptionally such assets and liabilities are not recognised if the temporary difference arises from the recognition of goodwill or the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit. The carrying amount of deferred income tax assets is reviewed at each statement of financial position 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 income 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 statement of financial position date.

p) Share-based payments

The cost of equity-settled share option contracts is measured as the fair value of the associated options at the date of their grant. Fair value is calculated using the recognised Black–Scholes–Merton methodology. This cost is expensed on a straight line basis over the associated vesting period in a manner that reflects the expectation of the number of options that will eventually vest. More particularly at each statement of financial position date before vesting the cumulative charge that should have been expensed in view of the extent to which the vesting period has expired and management's then best estimate of the number of equity instruments that will ultimately vest is calculated. The movement in the cumulative expense since the previous statement of financial position date is then recognised as an expense in the statement of comprehensive income with a corresponding entry in equity.

q) Accounting estimates and judgements

In applying the accounting polices detailed above, decisions sometimes have to be made as to the likely outcome of future events. Those judgements and estimates made in preparing the financial statements are based on historical experience and assumptions that the directors believed were reasonable in the circumstances.

The directors consider the key judgements and estimates made in preparing the financial statements to have been those relating to:

- the recognition of revenue in relation to contracts which straddle the year end; and
- the valuation of goodwill, investments and other intangible assets

These judgements and estimates are discussed in more detail both above and in the relevant notes to the financial statements.

Notes to the financial statements for the year ended 31 August 2016 (continued)

5. Profit before income tax

Profit before income tax is stated after charging / (crediting) the following:

	2016	2015
	£	£
Depreciation of property, plant and equipment	**64,241**	62,004
Amortisation of other intangible assets	**17,799**	17,796
Amounts payable under operating leases	**172,573**	152,102
Gains on disposal of property, plant and equipment	**(9,500)**	(300)
Losses on disposal of property, plant and equipment	**21,105**	10,187
Gains on derivative contract	**(21,433)**	(12,667)
Employee costs	**1,932,341**	1,850,156
Restructuring costs	**-**	49,811

Within depreciation of property, plant and equipment is £8,855 (2015: £12,564) relating to assets held under finance leases during the year. Amounts payable under operating leases primarily relate to leases entered into in order to occupy office premises.

Reconciliation of profit before income tax to actual and headline EBITDA

The group considers itself to be one business segment assessable only by its performance as a whole and for the purpose of making decisions about its resources. See note 4c in reference to the group's adoption of IFRS 8 Operating segments. The chief operating decision maker assesses the group's performance by reference to 'Headline EBITDA'. The following reconciliation describes the difference between headline EBITDA, actual EBITDA and profits before income tax with reference to the consolidated statement of comprehensive income – see page 17.

	2016	2015
	£	£
Profit before income tax	**814,143**	648,561
Finance income	**(1,427)**	(280)
Finance costs	**20,501**	22,222
Depreciation of property, plant and equipment	**64,241**	62,004
Amortisation of other intangible assets	**17,799**	17,796
EBITDA	**915,257**	750,303
Net losses on disposal of property, plant and equipment	**11,605**	9,887
Unrealised gains on derivative financial instrument	**(21,433)**	(12,667)
Bank overdraft arrangement fees	**-**	-
Trading foreign exchange losses	**-**	-
Restructuring costs	**-**	49,811
Headline EBITDA	**905,429**	797,334

Notes to the financial statements for the year ended 31 August 2016 (continued)

6. Employee costs

	2016	2015
	£	£
Wages and salaries	1,663,342	1,600,800
Social security costs	173,661	156,614
Other pension costs	95,338	92,742
	1,932,341	1,850,156

The company remains the main employer within the group. See note 28 for details on its key management personnel. Bonuses are paid dependent upon the achievement of certain financial and non-financial targets and become payable to qualifying employees following the end of a financial year. Bonuses were paid to the value of £71,091 (2014-15: £45,161) and accrued to a value of £71,363 (2014-15: £83,777) during the current year. The group's holiday year runs from 1 January to 31 December and employees are entitled to accumulate holiday not taken within a leave cycle subject to a maximum of five days. This must be taken within 12 months of the end of the associated leave cycle.

Up to 30 June 2014 the group offered qualifying employees the opportunity to enter into a group personal pension contract that provides money purchase benefits, at the directors' discretion. At the request of a qualifying employee, the group contributed an amount equal to 3% of their basic salary to a personal pension scheme of their choice.

On 1 July 2014 the group became legally obligated to contribute into a group personal pension contract for every employee under auto-enrolment. From this point onwards all employees entered into this contract, unless other eligible existing personal pension scheme details were provided or employees opted out.

The average number of employees paid during the year including executive directors was as follows:

	2016	2015
Directors	**6**	6
Administrative	**6**	6
Public Relations and Marketing Services	**38**	33
	50	45

7. Finance income and costs

Finance income

	2016	2015
	£	£
Interest receivable on deposit	**1,427**	280

Finance costs

	2016	2015
	£	£
Close out of derivative instrument	8,888	-
Interest payable and charges on borrowings and overdrafts	18,846	18,923
Finance lease interest payable	1,655	3,299
	29,389	22,222

8. Taxation

	2016 £	2015 £
Current taxation		
UK corporation tax on profits for the year	**161,205**	117,992
Deferred taxation		
Origination and reversal of temporary differences	**9,421**	32,783
Adjustments in respect of prior periods	**-**	-
Income tax expense	**170,626**	150,775
Profit before income tax	**814,143**	**648,561**
Effective tax rate	**20.96%**	23.25%
Profit before tax at the standard rate of UK corporation tax of 20.00% (2015: 20.58%)	**162,829**	133,474
Non-deductible expenses	**8,659**	3,771
Capital allowance movements	**104**	7,680
Losses Utilised	**(966)**	-
Corporation tax charged at the small rate (20%)	**-**	(141)
Deferred tax not recognised	**-**	6,721
Other timing differences	**-**	(730)
Income tax expense	**170,626**	150,775

The effective rates of 20.96% and 23.25% for 2015-16 and 2014-15 respectively primarily reflect the measurement of deferred tax assets relating to losses carried forward and the origination and reversal of temporary differences. The group utilised losses of £966 (£114,830 in 2014-15).

9. Auditor's remuneration

	2016 £	2015 £
Fees payable by the company to the company's auditor for the audit of the company's annual accounts	**4,000**	3,998
Fees payable by the group to the company's auditor for other services:		
Audit of the company's subsidiaries	**17,500**	13,940
Tax Services	**4,250**	4,100
Other services	**3,500**	3,500
	29,250	25,538

The directors considered the auditor to be best placed to provide the non-audit services above. The audit committee reviews the nature of non-audit services to ensure independence is maintained.

Notes to the financial statements for the year ended 31 August 2016 (continued)

10. Property, plant and equipment

Group and company

	Leasehold land and buildings	Plant and machinery	Motor Vehicles	Fittings and equipment	Total
	£	£	£	£	£
Cost					
31 August 2014	**-**	**-**	**18,203**	**1,554,749**	**1,572,952**
Additions	-	-	-	18,337	18,337
Disposals	-	-	-	(269,825)	(269,825)
31 August 2015	**-**	**-**	**18,203**	**1,303,261**	**1,321,464**
Additions	-	-	-	100,122	100,122
Disposals	-	-	(18,203)	(100,764)	(118,967)
31 August 2016	**-**	**-**	**-**	**1,302,619**	**1,302,619**
Depreciation					
31 August 2014	**-**	**-**	**14,405**	**1,276,831**	**1,291,236**
Disposals	-	-	-	(259,638)	(259,638)
Charge for the year	-	-	3,798	58,206	62,004
31 August 2015	**-**	**-**	**18,203**	**1,075,399**	**1,093,602**
Disposals	-	-	(18,203)	(79,659)	(97,862)
Charge for the year	-	-	-	64,241	64,241
31 August 2016	**-**	**-**	**-**	**1,059,981**	**1,059,981**
Net book value					
31 August 2016	**-**	**-**	**-**	**242,638**	**242,638**
31 August 2015	**-**	**-**	**-**	**227,862**	**227,862**
31 August 2014	**-**	**-**	**3,798**	**277,918**	**281,716**

Apart from assets held under a finance lease, the company is the legal owner of all property, plant and equipment within the group.

Disposals

All disposals during 2014-15 and 2015-16 relate to property, plant and equipment, disposed of by the company as a result of various strategies to relocate staff to new offices and renewing equipment.

As a result of the disposals in 2015-16 £9,500 was received in proceeds (2014-15: £300). The 2015-16 disposals achieved a £9,500 gain (2014-15: £300) and £21,105 losses (2014-15: £10,187). Both the resulting gain and losses, netting to £11,605 losses are recognised in the statement of comprehensive income within administrative expenses.

Notes to the financial statements for the year ended 31 August 2016 (continued)

10. Property, plant and equipment (continued)

Finance leased assets

No finance leases were entered into by the company during 2015-16 and 2014-15.

The net book value of assets held under outstanding finance leases by the company included above is:

	2016	2015
	£	£
Fittings and equipment	**5,992**	14,847
	5,992	14,847

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

11. Intangible fixed assets

a) Group

			2016			2015
	Goodwill	**Other**	**Total**	Goodwill	Other	Total
	£	**£**	**£**	£	£	£
Cost						
Opening balance	**10,606,755**	**148,250**	**10,755,005**	10,606,755	148,250	10,755,005
Internally generated asset	**-**	**-**	**-**	-	-	-
Closing balance	**10,606,755**	**148,250**	**10,755,005**	10,606,755	148,250	10,755,005
Amortisation and impairment						
Opening balance	**2,984,980**	**130,391**	**3,115,371**	2,984,980	112,595	3,097,575
Amortisation	**-**	**17,799**	**17,799**	-	17,796	17,796
Closing balance	**2,984,980**	**148,190**	**3,133,170**	2,984,980	130,391	3,115,371
Carrying value at end of year	**7,621,775**	**60**	**7,621,835**	7,621,775	17,859	7,639,634
Carrying value at start of year	**7,621,775**	**17,859**	**7,639,634**	7,621,775	35,655	7,657,430

The group's goodwill is classified as having an indefinite useful life. See below notes on measurement of goodwill. Other intangible assets consist of intellectual property and an internally generated asset - see note 11b for further details on the internally generated asset. Amortisation charges relating to intellectual property is £996 (2014-15: £996) and relating to the internally generated asset is £16,803 (2014-15: £16,800). All amortisation charges are recognised as expenses in the statement of comprehensive income within administrative expenses. No intangible assets are pledged as security for the group's liabilities.

11. Intangible fixed assets (continued)

b) Internally generated asset

The group's internally generated asset relates to the development of the Wales World Wide website. Its useful life is assessed by the directors to be four years and is measured using the cost model. This assessment takes account of the directors' view of the stability of the market the website operates within, changes in market demand for the products and services output from the website that generate revenue and the risk of technological obsolescence without significant further investment in the website. During 2015-16, the asset incurred amortisation charges of £16,803 (2014-15: £16,800).

c) Company

			2016			2015
	Goodwill	**Other**	**Total**	Goodwill	Other	Total
	£	**£**	**£**	£	£	£
Cost						
Opening balance	**8,791,586**	**20,000**	**8,811,586**	8,791,586	20,000	8,811,586
Business combinations	**-**	**-**	**-**	-	-	-
Group restructuring	**-**	**-**	**-**	-	-	-
Closing balance	**8,791,586**	**20,000**	**8,811,586**	8,791,586	20,000	8,811,586
Amortisation and impairment						
Opening balance	**2,439,302**	**18,396**	**2,457,698**	2,439,302	17,400	2,456,702
Impairment	**-**	**-**	**-**	-	-	-
Amortisation	**-**	**996**	**996**	-	996	996
Closing balance	**2,439,302**	**19,392**	**2,458,694**	2,439,302	18,396	2,457,698
Carrying value at end of year	**6,352,284**	**608**	**6,352,892**	6,352,284	1,604	6,353,888
Carrying value at start of year	**6,352,284**	**1,604**	**6,353,888**	6,352,284	2,600	6,354,884

There are no intangible assets classified as having an indefinite useful life in the company other than goodwill. See below notes on measurement of goodwill.

The other intangible assets represent Intellectual Property. None are individually material to the company's financial statements. The remaining amortisation periods of these assets are between one to two years. No intangible assets are pledged as security for the company's liabilities.

11. Intangible fixed assets (continued)

d) Impairment reviews

Cash generating units

Until 31 May 2016, the group was comprised of two CGUs, the group excluding the trade of Wales World Wide Limited and Wales World Wide Limited. Wales World Wide Limited was rolled into Freshwater UK regions on the 31st May 2016, and now the group is run as one CGU.

Impairment testing of cash generating units to which goodwill has been allocated

In accordance with the group's accounting policy, the carrying value of the cash generating unit operating assets including the carrying value of goodwill, has been tested for impairment. This was done by calculating its value in use using certain key assumptions. The key assumptions applied were as follows and were the same as last year:

- Future time period – 10 years
- A positive growth rate of 6.0%
- A discount factor of 13.0%
- Use of an EBITDA forecast, adjusted for forecast movements in working capital and capital expenditure as a reasonable estimate for future cash flow

Projected EBITDA is calculated based on a forecast for two years of which the first year is prepared at a detailed level, and growth assumptions based on expected overall sector growth for up to 10 years (2015: 10 years). A 10 year period is broadly consistent with business life spans quoted by other organisations in the industry in their most recent statutory accounts. Expected future cash flows were based on the group's detailed budget for the financial years ending 31 August 2017 and 31 August 2018 and the assumption that cash flows will grow steadily thereafter at 6.0% per annum (2015: 6.0%). The directors are content that this growth is achievable, in light of significantly improving profitability from achieved organic growth from 2013-14 through to 2015-16, a gradually improving economy and marketing services sector growth.

The cash generating unit value in use was calculated using average annual discounted cash flows reflective of its cash generation throughout each future financial year and using a pre-tax discount factor of 13.0% (2015: 13.0%).

As a result of the impairment review, the group's carrying value of goodwill is unchanged from its carrying value recognised as at 31 August 2015, as the value in use of the cash generating unit exceeds its carrying value by £1.5m.

Sensitivity analysis

As described above, the test performed did not result in the impairment of goodwill with the estimated recoverable amount exceeding the carrying value.

As part of the impairment review management tested the key growth and discount factor assumptions. Management found that if the rate of growth reduced by 4% in years 3 to 10, the outcome from the review meant a £85,201 impairment charge against the group's profits would be appropriate. Also, if the discount rate were increased by 3.5% the group would have £0.67m headroom from impairment.

12. Investments in subsidiary undertakings

	2016	2015
	£	£
Opening and closing balance	**1,623,125**	1,623,125

There are no impairments to investments in line with the 2015-16 and 2014-15 impairment reviews carried out at group level.

13. Subsidiary undertakings

The company owns 100% of the ordinary share capital and controls 100% of the voting rights in the following companies. The companies are registered in England and Wales and primarily operate in the UK.

Entity	**Acquired / Formed**	**Principal activity**
Freshwater (UK Regions) Limited	November 2007	Public Relations
Waterfront Conference Company Limited	December 2007	Conferences
Wales World Wide Limited	October 2011	Online business networking, advertising

Merlin Marketing and Creative Limited was dissolved in June 2015. Prior to dissolution, the entity had been dormant with its trade being transferred to Freshwater (UK Regions) Limited to help the group reduce its administrative costs by centralising its operations in a smaller number of companies. The transferred trade continues as a going concern within Freshwater (UK Regions) Limited.

Wales World Wide Limited ceased to trade on May 31st 2016. Immediately thereafter the company transferred its trade to Freshwater (UK Regions) Limited.

14. Financial assets and liabilities

The tables below analyse the carrying value of financial assets and financial liabilities in the group and company statements of financial position. Further information on the classes that make up each category is provided in the notes indicated. The carrying value of each category is considered a reasonable approximation of its fair value. Other than borrowings all amounts are due within one year. A maturity analysis of the group's and company's borrowings is provided in note 19.

a) Group

	Note	2016 £	2015 £
Cash and cash equivalents	16	527,463	450,124
Trade receivables	15	761,410	588,540
Other receivables	15	300	-
Financial assets		**1,289,173**	1,038,664
Trade payables	17	248,840	164,791
Other payables and accruals	17	179,116	179,214
Borrowings	20	6,441	16,627
Financial liabilities at amortised cost		**434,397**	360,632
Derivative financial instrument	18	-	21,433
Financial liabilities at fair value through profit or loss		-	21,433
Financial liabilities		**434,397**	382,065

b) Company

	Note	2016 £	2015 £
Cash and cash equivalents	16	60,292	329,958
Other receivables	15	-	2,388
Amounts owed by group undertakings	15	157,732	157,547
Financial assets		**218,024**	489,893
Trade payables	17	98,718	64,929
Other payables and accrued expenses	17	68,037	90,125
Amounts owed to group undertakings	17	1,464,096	1,364,146
Borrowings	20	6,441	16,627
Financial liabilities at amortised cost		**1,637,292**	1,535,827
Derivative financial instrument	18	-	21,433
Financial liabilities at fair value through profit or loss		-	21,433
Financial liabilities		**1,637,292**	1,557,260

14. Financial assets and liabilities (continued)

During the year ended 31 August 2016 the group and the company faced credit risk, interest rate risk and liquidity risk as a result of their financial assets and liabilities. Neither faced significant currency risk, being the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. There were no significant changes in the risks, objectives, processes and policies for managing the risks or the methods used to measure the risks during the year ended 31 August 2016.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group faces credit risk as a result of offering credit terms to its customers and holding cash and cash equivalents with financial institutions. The company faces credit risk as a result of advancing funds to other group members and as a result of holding cash and cash equivalents with financial institutions. The group seeks to mitigate the risk that arises from offering credit terms by performing credit checks before terms are advanced and thereafter actively monitoring amounts receivable and denying additional credit when appropriate. Funds advanced by the company to other group members are repayable on demand. The company looks to mitigate the risk that arises from advancing such funds by monitoring group members' financial position and performance on an ongoing basis and denying additional credit where appropriate. The risk that arises as a result of holding cash and cash equivalents with financial institutions is mitigated by both the group and the company holding the majority of such amounts with both a recognised UK high street bank and a building society that provide the group's overdraft facility and deposit account on a variable and fixed rate basis. Both the group's and the company's maximum exposure to credit risk is equal to the value of its trade and other receivables.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group's financial liabilities include its borrowings and trade and other payables. See notes 17 and 19. Within the group the responsibility for monitoring liquidity risk and for ensuring that group members are adequately funded has been centralised and lies with the ultimate parent undertaking, Freshwater UK Plc, which leads all capital raising activities. Contractual maturity analysis for financial liabilities is shown in notes 17, 18 and 19.

15. Trade and other receivables

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Gross trade receivables	**767,410**	606,473	**-**	-
Provision for impairment	**(6,000)**	(17,933)	**-**	-
Unimpaired trade receivables	**761,410**	588,540	**-**	-
Accrued income	**80,905**	71,134	**-**	-
Prepayments	**134,791**	106,958	**61,271**	48,874
Other receivables	**300**	-	**-**	2,388
	215,996	178,092	**61,271**	51,262
Gross amounts owed by group undertakings	**-**	-	**157,732**	353,046
Provision for impairment	**-**	-	**(115,419)**	(195,499)
Unimpaired amounts owed by group undertakings	**-**	-	**42,313**	157,547
	977,406	766,632	**103,584**	208,809

None of the balances bear interest. An aged analysis of unimpaired trade receivables is provided below. An amount is considered past due if the counterparty has failed to make payment when contractually due. All other receivables are due within one year.

	Total	Not past due or impaired	Past due but not impaired			
			< 30 days	30-60 days	60-90 days	> 90 days
	£	£	£	£	£	£
31 August 2016	**761,410**	**411,938**	**244,354**	**42,632**	**37,551**	**24,935**
31 August 2015	588,540	436,221	81,184	55,569	657	14,909

Provisions for impairment

An analysis of the movement in the provision for impairment of gross trade receivables is provided below.

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Opening balance	**17,933**	16,131	**-**	-
Provision for impairment	**-**	4,825	**-**	-
Trade receivables written off	**(11,933)**	(3,023)	**-**	-
Closing balance	**6,000**	17,933	**-**	-

See note 28 in relation for further details on the provision for impairment of gross amounts owed by group undertakings.

16. Cash and cash equivalents

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Group current accounts	**525,757**	189,844	**58,586**	69,678
Building Society deposit account	**1,706**	260,280	**1,706**	260,280
	527,463	450,124	**60,292**	329,958

In October 2016 the group extended its longstanding £100,000 overdraft facility with its bankers on identical terms. Interest is payable at 3.5% over base on all overdrawn balances, subject to the £100,000 aggregate limit not being exceeded and the aggregate of individual overdrawn balances not exceeding £1.0 million. During 2015-16 the facility was not used but the group feels it is prudent to keep a facility in place. This new overdraft facility expires in October 2017.

All overdraft and loan arrangements referred to above were secured by unlimited intercompany composite guarantees (under which group members are jointly and severally liable for amounts outstanding) and various debentures by group members in favour of the counterparty bank. On the date of issue of all of the above overdraft and loan agreements the base rate was 0.5%.

During 2015-16 the company closed an account with NatWest for the Wales World Wide subsidiary, as the company was rolled into Freshwater UK Regions Ltd in May 2016.

17. Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Trade payables	**248,840**	164,791	**98,718**	64,929
Other taxes and social security	**156,607**	173,194	**22,250**	29,876
Other payables and accrued expenses	**179,116**	179,214	**68,037**	90,125
Deferred income	**78,980**	100,078	**-**	-
Amounts owed to group undertakings	**-**	-	**1,464,096**	1,364,146
	663,543	617,277	**1,653,101**	1,549,076

None of the balances bear interest. An aged analysis of unimpaired trade payables is provided below. An amount is considered past due if the group has failed to make payment when contractually due. All other payables are due within one year.

a) Group

	Total	Due or due in less than 1 month	Due between 1 to 3 months	Due between 3 months to 1 year
	£	£	£	£
31 August 2016	**248,840**	**99,005**	**120,531**	**29,304**
31 August 2015	164,791	129,015	15,408	20,368

b) Company

	Total	Due or due in less than 1 month	Due between 1 to 3 months	Due between 3 months to 1 year
	£	£	£	£
31 August 2016	**98,718**	**32,660**	**45,863**	**20,195**
31 August 2015	64,929	35,147	12,131	17,651

18. Derivative financial instruments

During 2015-16 the company had one derivative financial instrument in place; a free standing ten year sterling denominated amortising base rate swap to mitigate the group's exposure to interest rate risk as a result of the company's floating rate borrowings. This contract was entered into in March 2007. This base rate swap was fair valued based on data supplied directly by the counterparty, effectively the market surrender value of the policy. Under the swap which had an initial nominal value of £900,000 the company paid interest at a fixed rate of 5.6% in exchange for the counterparty bank's (floating) base rate. It does not qualify for hedge accounting and associated gains or losses are recognised in the group's consolidated statement of comprehensive income under administrative expenses.

The policy was due to expire in March 2017, but as the company had no current borrowings or interest risk it was decided in June 2016 to cancel the policy. There was a small surrender cost of £8,888 equal to the estimated future interest to pay on the product which is shown in the Finance costs.

The following table provides an analysis of this financial instrument measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- **Level 1** fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group and company

Total derivative financial liabilities

	Total	**Level 1**	**Level 2**	**Level 3**
	£	**£**	**£**	**£**
Base rate swap as at 31 August 2016	**-**	**-**	**-**	**-**
Base rate swap as at 31 August 2015	21,433	21,433	-	-

The profile by maturity of the base rate swap as at 31 August 2016 and 31 August 2015 is as follows.

Group and company

Base rate swap

	Within 1 year	**2 – 5 Years**	**5 – 10 years**	**Over 10 years**
	£	**£**	**£**	**£**
As at 31 August 2016	**-**	**-**	**-**	**-**
As at 31 August 2015	21,433	-	-	-

Gains and losses are presented in the statement of comprehensive income as follows (see note 5). The gains are realised.

	2016	2015
	£	£
Base rate swap gains	**21,433**	12,667

19. Borrowings

Group and company

31 August 2016	Current £	> 1 but < 2 yrs £	> 2 but < 5 yrs £	> 5 yrs £	Non current £	Total £
Fixed rate						
£28,720 finance lease	6,441	-	-	-	-	6,441
Total capital	6,441	-	-	-	-	6,441
Interest payable	286	-	-	-	-	286
Total repayments	6,727	-	-	-	-	6,727

31 August 2015	Current £	> 1 but < 2 yrs £	> 2 but < 5 yrs £	> 5 yrs £	Non current £	Total £
Fixed rate						
£28,720 finance lease	10,186	6,441	-	-	6,441	16,627
Total capital	10,186	6,441	-	-	6,441	16,627
Interest payable	1,655	286	-	-	286	1,941
Total repayments	11,841	6,727	-	-	6,727	18,568

The above interest payable amounts are estimates made at each point in time. The group's borrowings on 31 August 2016 and 31 August 2015 lay entirely within the company. Individual capital amounts outstanding are equal to the respective carrying values aggregating to current and non-current balances in the statement of financial position. Carrying value is considered a fair approximation of fair value.

19. Borrowings (continued)

Apart from the finance leases identified above, the group's borrowings on 31 August 2016 were with a single counterparty bank, and secured by unlimited intercompany composite guarantees (under which group members are jointly and severally liable for amounts outstanding) and various debentures by group members in favour of the counterparty bank. The interest rates and repayment terms associated with the group's borrowings identified above during 2014-15 and 2015-16 are:

Fixed rate	**Interest rate**	**Repayment terms**
£28,720 finance lease	8%	Level quarterly payments of capital and interest over 3.0 years

In March 2007, the company entered a free standing ten year sterling denominated amortising base rate swap to mitigate the group's exposure to interest rate risk as a result of its floating rate borrowings. Since entering the swap the group has been exposed to interest rate risk through its floating rate borrowings to the extent that they have exceeded the swap's amortised nominal value. In June 2016 the product was wound up early and is now closed as the company no longer requires any interest rate hedging. See note 18.

	2016	2015	2014
	£	£	£
Floating rate borrowings	**-**	-	130,000
Amortised nominal value of swap at year end	**-**	(286,077)	(322,980)
	-	(286,077)	(192,980)

If interest rates differed during the last three financial years the group's reported profits / (losses) would remain unchanged.

IFRS 7 requires an estimate of remaining interest charges payable over the remaining contractual terms, where borrowings do not carry a fixed rate of interest. Since no floating rate borrowings exist as at 31 August 2015, estimated interest charges are nil.

20. Operating & finance lease commitments

Operating leases

The minimum lease payments under non-cancellable operating leases were as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	£	£	**£**	£
Payable < 1 year	**138,888**	159,821	**138,888**	159,821
Payable > 1 year < 5 years	**201,845**	340,733	**201,845**	340,733
	340,733	500,554	**340,733**	500,554

The disclosed values relate to operating leases entered into in order to occupy office premises.

20. Operating & finance lease commitments (continued)

Finance leases

The detail on how the leasing liabilities correspond with the group's total borrowings is contained in note 19.

A reconciliation of the total minimum lease payments at the end of the reporting period, and their present value at the end of the reporting period is shown below.

Gross finance lease liabilities – minimum lease payments:

	Group & Company	
	2016	2015
	£	£
Payable < 1 year	**6,622**	10,186
Payable > 1 year < 5 years	**-**	6,441
	6,622	16,627

The present value of minimum lease payments, are as follows, discounted at a pre-tax rate of 13.0% (2014-15: 13.0%), consistent with the discount factor referenced in note 11 applied for impairment review.

	Group & Company	
	2015	2014
	£	£
Payable < 1 year	**6,622**	10,186
Payable > 1 year < 5 years	**-**	5,700
	6,622	15,886

The above finance leases are non-cancellable leases as defined by IAS 17 cancellable only upon the occurrence of some remote contingency; with the permission of the lessor; if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.

All finance lease commitments have been capitalised based on their fair value where the net present value of the minimum lease payments is lower than the fair value, but the effect in discounting to present value is not material.

21. Deferred taxation

Deferred tax assets

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Opening balance	**(6,539)**	(37,265)	**(6,539)**	(13,007)
Expense for the year	**6,539**	30,726	**6,539**	6,468
Closing balance	**-**	(6,539)	**-**	(6,539)

The company and the group's provision for deferred tax assets relates to the occurrence of temporary differences occurring from claimed capital allowances.

Deferred tax liabilities

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Opening balance	**2,057**	-	**-**	-
Expense for the year	**2,882**	2,057	**4,939**	-
Closing balance	**4,939**	2,057	**4,939**	-

The group's provision for deferred tax liabilities relates to the future recoverability of losses carried forward.

22. Share capital and other reserves

	Allotted, called up and fully paid Ordinary No	**Par**
31 August 2014	20,308,493	10p
Authorised / issued	-	
31 August 2015	20,308,493	10p
Authorised / issued	-	
31 August 2016	**20,308,493**	10p

Other reserves

Other reserves of £20,000 (2014-15: £20,000) reflects the group and company's share option reserve. There are no movements in the reserve account during 2015-16 or 2014-15. See note 25 for further details on option valuation.

23. Capital reduction reserve

Capital reduction during 2013-14

On 30 July 2014 the High Court of Justice, authorised the cancellation of the company's share premium account effected by a special resolution passed on 12 February 2014. Cancellation of the credit to the share premium account has resulted in it being re-assigned to a capital reduction reserve facilitating the potential for future distributions to shareholders. The share premium cancellation process resulted in direct costs of £9,445 costs being deductible from the resulting credit re-assigned to the capital reduction reserve.

Dividends

During 2015-16 the company paid dividends from the Capital Reduction Reserve totalling £375,707 to its shareholders (2014-15: £304,627). See note 24 for further details.

24. Dividends

Prior to June 2015 when the group's term loan was repaid in full (see notes 16 and 19) and during the period in which loan amounts were repayable to the group's bankers, the company released dividend payments to its shareholders only upon the group's bankers giving their consent, as a condition of the loan. This condition was no longer applicable from June 2015 onwards, upon the term loan being repaid in full.

During 2015-16 the group paid a final dividend for 2014/15 of 1.1p per ordinary share totalling £223,393 and an interim dividend payment for 2015/16 of 0.75p per ordinary share totalling £152,314, released to shareholders in January and May 2016 respectively. The board have proposed a final dividend payment for 2015/16 of 1.20p per ordinary share worth £243,702 to be payable in 2016-17. These dividends were not accrued in the consolidated statement of financial position or the company statement of financial position.

25. Share options

The company has the following share options in issue, registered with a HMRC as an approved Enterprise Management Incentive ('EMI') scheme:

	Options in issue at 31 Aug 15	**Options granted**	**Options lapsed**	**Options exercised**	**Options in issue at 31 Aug16**
EMI scheme	404,600	100,000	(41,000)	-	**463,600**

All the company's contracts provide eligible employees can be granted the option to acquire ordinary shares in the company at a fixed exercise price. An employee's ability to exercise this option is not subject to any vesting criteria other than the passage of time and his or her continued employment by the group. Exceptionally the occurrence of certain defined control events may cause the options under the contracts to fully vest immediately. All the contracts have a ten year term and lapse inter alia upon an employee either giving or receiving notice of the termination of his or her employment with the group. Any obligations arising under the contracts are to be settled by the company through the issue of new shares at the relevant exercise price.

The company determines the fair value of the share option contracts it enters on the grant date, adjusts this to reflect its expectation of the options that will ultimately vest and then expenses the calculated balance on a straight line basis through its statement of comprehensive income over the expected vesting period with a corresponding credit to its share option reserve. See note 22 for details on the share option reserve valuation, as disclosed in the statement of financial position.

Subsequent changes to the expectation of the number of options that will ultimately vest are dealt with prospectively such that the cumulative amount charged to the statement of comprehensive income is consistent with latest expectations. Subsequent changes in what is considered to have been the fair value of options at the grant date do not impact the amount charged to the statement of comprehensive income.

25. Share options (continued)

The company determines the fair value of the share option contracts it enters using a valuation model similar to the Black-Scholes-Merton methodology. The valuation model takes account of the exercise price of the options, the life of the options, the current price of the underlying shares, expected volatility of the share price, dividends expected on the shares and a risk-free interest rate applicable for the life of the option.

New share options contracts

During 2015-16 the company issued contracts for 100,000 options to purchase shares. J H Evans and E A Neagle, both directors of the company, received a contract with 50,000 options each on the first of November 2015.

Since 31 August 2016, there have been no further options issued.

26. Earnings per share

Basic and diluted earnings per share

	2016	2015
	£ / no.	£ / no.
Profit and total comprehensive income attributable to ordinary shareholders	**643,517**	497,786
Weighted average number of ordinary shares	**20,308,493**	20,308,493
Basic earnings per share	**3.17p**	2.45p

All share options issued prior to 31 August 2016 are considered anti-dilutive or would not have a material effect to the company or the group's statement of financial position or statement of comprehensive income in the event the options were exercised.

27. Capital management

Capital is defined as equity plus borrowings. The group's capital structure is driven by the parent company which drives all assessment of risk and leads in all capital raising activity. In managing its capital structure the group's objective is to safeguard the group's ability to continue as a going concern, managing cash flows so that it can provide returns for shareholders, subject to approval from its bankers where necessary. In order to maintain or adjust the capital structure the group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Changes in economic conditions impact on the risk assessment the group takes in conjunction with its primary objectives. During 2013-14 the board of directors received approval from the High Court of Justice to cancel all of the company's share premium account to facilitate the group's ability to make distributions to shareholders in the future. See note 23 for further details.

The group refers to a variety of ratios when considering its capital structure including the gearing ratio defined as borrowings divided by total capital and interest cover defined as operating profit divided by net interest expense. The table below identifies these ratios at the end of the current and prior financial year. It should be noted that these ratios are dynamic and that in the case of the group which is growing, and whose capital structure is constantly evolving, are best considered over a period of time as opposed to at a given point in time.

27. Capital management (continued)

	2016	2015
	£	£
Borrowings	**6,441**	16,627
Equity	**8,583,215**	8,315,405
Capital	**8,589,656**	8,332,032
Gearing ratio	**0.1%**	0.2%
Interest cover	**30.1**	30.2

28. Related party disclosures

a) Group

Key management personnel

The group's key management personnel are those persons having the authority and responsibility for planning, directing and controlling the significant elements of the group's activities. Details of the compensation that became payable during the year to the group's key management personnel are provided below:

	Directors of the Company		Other	
	2016	2015	**2016**	2015
	£	£	£	£
Wages, salaries	**417,729**	410,511	**296,023**	318,796
Social security costs	**45,627**	47,444	**33,394**	32,286
Other pension costs	**49,640**	54,097	**8,881**	9,058
	512,996	512,052	**338,298**	360,140

Notes to the financial statements for the year ended 31 August 2016 (continued)

28. Related party disclosures (continued)

b) Company

Key management personnel

Details of the compensation that became payable during the year to the company's directors are disclosed above. The highest paid director received compensation including pension contributions of £127,051 (2015: £124,269). During the year contributions became payable by the group in relation to a money purchase pension scheme for 4 directors (2015: 4). The contributions that became payable by the group in relation to the highest paid director amounted to £5,250 (2015: £5,250).

Transactions with other group members

Since 1 September 2006, the company has functioned as a service company providing labour and administrative services to other group members. The company is the group's main employer. During the year ended 31 August 2016 the company charged other group members £1,983,676 (2015: £1,749,076) for the provision of labour and £463,152 (2015: £408,435) for the provision of administrative services. The company additionally settled other group members' VAT liabilities during 2015-16 and 2014-15. The parent company did not receive any dividends from its subsidiaries during 2015-16.

The table below shows the amounts outstanding at the year end between the company and other group members. The movement on prior year balances is the result of cash transfers to/from the company from/to other group members. All amounts are unsecured and payable on demand, to be settled in cash. The company as parent of the group guarantees that any subsidiaries with negative net assets will honour the associated debts.

	Amounts owed by Group undertakings		Amounts owed to Group undertakings	
	2016	2015	**2016**	2015
	£	£	**£**	£
Wales World Wide Limited	**-**	195,499	**-**	-
Freshwater (UK Regions) Limited	**-**	-	**1,464,096**	1,364,146
Waterfront Conference Company Limited	**42,313**	157,547	**-**	-
	42,313	353,046	**1,464,096**	1,364,146

FRESHWATER UK PLC

Company Information

Directors	D Howell (Non-Executive Chairman) S B Howell (Chief Executive) J H Evans (Finance Director) M-L Windeler (Non-Executive Director) J M Underwood (Executive Director) E A Neagle (Group Managing Director)
Secretary	K J Tilley
Company number	4059741 (England and Wales)
Registered office	Raglan House Cardiff Gate Business Park Cardiff CF23 8BA
Auditor	Broomfield & Alexander Limited Ty Derw Lime Tree Court Cardiff Gate Business Park CARDIFF CF23 8AB
Bankers	Royal Bank of Scotland South Wales Commercial Office 3rd Floor One Kingsway Cardiff CF10 3AQ
Registrars	Capita Asset Services Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA
Solicitors	Shakespeare Martineau 1 Colmore Square Birmingham B4 6AA