

Financial Highlights (half year)	2017	2016
Turnover increased 10%	£2.39m	£2.16m
Revenue increased 5%	£1.90m	£1.81m
EBITDA increased 2%	£0.41m	£0.40m
Operating profit increased 2%	£0.37m	£0.36m
Profit before tax increased 4%	£0.37m	£0.35m
Net current assets increased 70%	£0.80m	£0.47m

Interim dividend of 0.75p per share to be paid on 16 June 2017 to shareholders on the register on 26 May 2017.

Dear Shareholder

We are pleased to report that Freshwater UK PLC has delivered another positive set of results, with all the key financials up on this time last year and a strengthened balance sheet.

We are continuing to deliver healthy profit margins and cash flow and an improving, debt-free balance sheet. This has enabled us to maintain our dividend payments policy.

We are confident we have the right structures in place to consistently deliver above-average levels of profitability and year-on-year improvements in performance. We note, however, uncertainty in the economy following the Brexit vote last summer, which led to some softening in revenue against our own ambitious targets in the first half of the year, and we think this could have a further impact in the second-half.

We will, of course, continue to monitor the situation carefully but, as a result of this uncertainty, the Board feels it would be prudent to hold the interim dividend to last year's level of 0.75p.

Financial review

In the six months to 28 February 2017, the group delivered revenue of £1.90m and an operating profit of £0.37m, up 5% and 2% respectively on the same period last year. The half-year EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) of £0.41m was 2% higher than last year. Headline EBITDA was 22% of revenue.

The combination of organic growth and improved profitability means the business now has a much stronger balance sheet, including net current assets of £0.80m (compared with £0.47m at the last half year) despite returning just over £0.39m in dividends to shareholders in the intervening 12 months. The business remains debt-free and has the strongest credit rating possible.

It is also worth noting that the business has returned to a positive retained earnings position for the first time since 2010.

Dividend

While we are pleased with our performance over this time last year, the growth in revenue and profitability were at the lower end of our expectations in the first six months, and we expect uncertainty in the market to continue through to, at least, the year end.

Based on this analysis, and to ensure our balance sheet remains strong, we are proposing the interim dividend is held at the same level as last year of 0.75p. The cost of this is covered 1.9 times by half-year profit after income tax. The dividend will be paid on 16 June 2017 to shareholders on the register on 26 May 2017.

Operational review

Freshwater operates six divisional profit centres and the revenue split in the first half year is as follows:

	2017	2016
London Consultancy	24%	20%
Healthcare	20%	22%
Brand and Channel Consultancy	16%	14%
Wales Consultancy	16%	23%
Creative Media Production	12%	9%
Waterfront (Conferences and Training)	12%	12%

The group's top ten clients in the period, accounting for 73% of revenue, were: Thompsons Solicitors, GE Healthcare Finnermore, Welsh Government, Unite, Colchester Hospital University NHS Foundation Trust, Specsavers, Cavendish Square Group, Stadler, MAPS, and Associated British Ports.

Group revenue is broadly spread across a number of sectors – notably professional services, healthcare, transport and charities/unions – and is evenly balanced between the private and public/voluntary sectors.

We are generating a strong stream of new business opportunities and Freshwater has recently been awarded a place on the Government Communications Services Campaign Solutions procurement framework. More than 400 agencies applied to be on the framework and Freshwater was one of only 27 agencies to be appointed.

Notable wins in the first half have included Stadler, Henry Howard Finance, Van Sport, Gower College Swansea and several NHS clients, as well as extensions to several current contracts including the Welsh Government's Positive Parenting campaign and the BT Superfast Broadband roll-out.

The group's conference and training division, Waterfront, delivered revenue of £0.23m, the same as this time last year. We have seen some softening of delegate bookings in the first half, but have managed to grow the sponsorship side of the business.

On 23 February, the Board announced that Steve Howell, the chief executive of Freshwater UK, is to take up a senior role with the Labour Party. Steve is taking a leave of absence for an indefinite period and Freshwater's deputy chief executive, John Underwood, has stepped in as chief executive in Steve's absence. Steve will remain on the Freshwater Board as a non-executive director.

Outlook

Looking forward through the third quarter of this year (March – May 2017) and beyond, we can see business opportunities at similar levels to the first six months and the last full year. We expect to continue to deliver healthy profit margins, but wider economic uncertainty means we think full-year revenue growth will be at a lower level than last year. The Board will monitor progress closely, and the management team is focused on building and converting a strong new business pipeline.

We would like to thank all senior managers and staff for their commitment and professionalism and their delivery of outstanding work for our clients, without which these results could not have been achieved.

If you have any queries on the half-year accounts, please do not hesitate to contact Haydn Evans, finance director, on 02920 545370 or via e mail: haydn.evans@freshwater-uk.com.

Freshwater's shares can be traded through BritDAQ and this statement will be published, along with our annual reports, on the investor section of the group's website.

We would also like to thank you, our shareholders, for your continuing support.

Yours faithfully

David Howell
Chairman

John Underwood
Chief Executive

FRESHWATER UK PLC

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017**

	6 months to 28 Feb 2017 £	6 months to 29 Feb 2016 £	Year ended 31 Aug 2016 £
TURNOVER	<u>2,386,170</u>	<u>2,161,197</u>	<u>5,045,000</u>
REVENUE	1,902,373	1,810,156	3,823,459
Administrative expenses	<u>(1,530,883)</u>	<u>(1,447,634)</u>	<u>(2,981,354)</u>
OPERATING PROFIT	371,490	362,522	842,105
Finance income	2	1,030	1,427
Finance costs	<u>(3,821)</u>	<u>(8,979)</u>	<u>(29,389)</u>
PROFIT BEFORE INCOME TAX	367,671	354,573	814,143
Income tax expense	<u>(77,020)</u>	<u>(70,885)</u>	<u>(170,626)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR	<u>290,651</u>	<u>283,688</u>	<u>643,517</u>
Basic earnings per share for the period/year	<u>1.43p</u>	<u>1.40p</u>	<u>3.17p</u>
Diluted earnings per share for the period/year	<u>1.43p</u>	<u>1.40p</u>	<u>3.17p</u>

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2017

	28 Feb 2017 £	31 Aug 2016 £	29 Feb 2016 £
ASSETS			
Non-current assets			
Property, plant and equipment	215,844	242,638	269,877
Intangible assets	7,621,362	7,621,835	7,630,736
Deferred tax assets	-	-	6,539
	<u>7,837,206</u>	<u>7,864,473</u>	<u>7,907,152</u>
Current assets			
Cash and cash equivalents	443,598	527,463	233,055
Trade and other receivables	1,088,860	977,406	1,207,796
	<u>1,532,458</u>	<u>1,504,869</u>	<u>1,440,851</u>
Total assets	<u>9,369,664</u>	<u>9,369,342</u>	<u>9,348,003</u>
EQUITY			
Issued equity capital	2,030,849	2,030,849	2,030,849
Capital reduction reserve	6,491,013	6,734,715	6,887,029
Other reserves	20,000	20,000	20,000
Retained earnings	88,302	(202,349)	(562,178)
	<u>8,630,164</u>	<u>8,583,215</u>	<u>8,375,700</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	4,939	4,939	2,057
Long term borrowings	-	-	-
	<u>4,939</u>	<u>4,939</u>	<u>2,057</u>
Current liabilities			
Trade and other payables	632,562	663,543	753,966
Derivative financial instruments	-	-	15,042
Short-term borrowings	519	6,441	12,361
Current tax liabilities	101,480	111,204	188,877
	<u>734,561</u>	<u>781,188</u>	<u>970,246</u>
Total liabilities	<u>739,500</u>	<u>786,127</u>	<u>972,303</u>
Total equity and liabilities	<u>9,369,664</u>	<u>9,369,342</u>	<u>9,348,003</u>

FRESHWATER UK PLC

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017

	Ordinary shares £	Capital reduction reserve £	Other reserves £	Retained earnings £
31 August 2015	<u>2,030,849</u>	<u>7,110,422</u>	<u>20,000</u>	<u>(845,866)</u>
Profit and total comprehensive income for the period	-	-	-	283,688
Dividend paid	-	(223,393)	-	-
Transactions with owners	-	(223,393)	-	-
29 February 2016	<u>2,030,849</u>	<u>6,887,029</u>	<u>20,000</u>	<u>(562,178)</u>
Profit and total comprehensive income for the period	-	-	-	359,829
Dividend paid	-	(152,314)	-	-
Transactions with owners	-	(152,314)	-	-
31 August 2016	<u>2,030,849</u>	<u>6,734,715</u>	<u>20,000</u>	<u>(202,349)</u>
Profit and total comprehensive income for the period	-	-	-	290,651
Dividend paid	-	(243,702)	-	-
Transactions with owners	-	(243,702)	-	-
28 February 2017	<u>2,030,849</u>	<u>6,491,013</u>	<u>20,000</u>	<u>88,302</u>

FRESHWATER UK PLC

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017

	6 months to 28 Feb 2017 £	6 months to 29 Feb 2016 £	Year ended 31 Aug 2016 £
Operating profit	371,490	362,522	842,105
Depreciation of property, plant and equipment	40,713	31,430	64,241
Amortisation of other intangible assets	473	8,898	17,799
Gains on derivative financial instrument	-	(6,391)	(21,433)
Net losses on disposal of property, plant & equipment	-	3,895	11,605
Change in trade and other receivables	(112,871)	(441,164)	(210,774)
Change in trade and other payables	<u>(29,564)</u>	<u>136,689</u>	<u>46,266</u>
	270,241	95,879	749,809
Interest received	2	1,030	1,427
Interest paid	(3,821)	(8,979)	(29,389)
Income taxes paid	<u>(86,746)</u>	-	<u>(167,993)</u>
Net cash flow from operating activities	<u>179,676</u>	<u>87,930</u>	<u>553,854</u>
Proceeds from disposal of property, plant and equipment	-	9,500	9,500
Purchase of property, plant and equipment	<u>(13,918)</u>	<u>(86,840)</u>	<u>(100,122)</u>
Net cash flow from investing activities	<u>(13,918)</u>	<u>(77,340)</u>	<u>(90,622)</u>
Repayment of borrowings	(5,921)	(4,266)	(10,186)
Dividends paid	<u>(243,702)</u>	<u>(223,393)</u>	<u>(375,707)</u>
Net cash flow from financing activities	<u>(249,623)</u>	<u>(227,659)</u>	<u>(385,893)</u>
(Decrease) / increase in cash and cash equivalents	<u>(83,865)</u>	<u>(217,069)</u>	<u>77,339</u>
Cash and cash equivalents at the start of the period	<u>527,463</u>	<u>450,124</u>	<u>450,124</u>
Cash and cash equivalent at the end of the period	<u>443,598</u>	<u>233,055</u>	<u>527,463</u>

EXPLANATORY NOTE

Headline EBITDA

The following reconciliation shows the difference between profit before income tax, EBITDA and headline EBITDA:

	6 months to 28 Feb 2017 £	6 months to 29 Feb 2016 £	Year ended 31 Aug 2016 £
Profit before income tax	367,671	354,573	814,143
Finance income	(2)	(1,030)	(1,427)
Finance costs	3,820	8,979	20,501
Depreciation of property, plant and equipment	40,713	31,430	64,241
Amortisation of other intangible assets	473	8,898	17,799
EBITDA	<u>412,677</u>	<u>402,850</u>	<u>915,257</u>
Net losses on disposal of property, plant and equipment	-	3,895	11,605
Gain on derivative financial instrument	-	(6,391)	(21,433)
Bank overdraft arrangement fees	-	1,500	-
Headline EBITDA	<u>412,677</u>	<u>401,854</u>	<u>905,429</u>