

Financial Highlights (half year)	2018	2017
Turnover	£2.36m	£2.39m
Revenue	£1.81m	£1.90m
EBITDA	£0.33m	£0.41m
Operating profit	£0.29m	£0.37m
Profit before tax	£0.29m	£0.37m
Net current assets increased 13%	£0.90m	£0.80m

Interim dividend of 0.75p per share to be paid on 18 May 2018 to shareholders on the register on 20 April 2018.

Dear Shareholder

We are pleased to report the Freshwater UK PLC half year results to February 2018 showing another profitable trading period, despite turnover and revenue being down 1% and 4.7% respectively. We continue to see the balance sheet strengthening with net assets up 13% to £0.90m from last year and a cash balance up £156k on the year end.

Although profit levels are down against both last year and our own internal expectations, we feel there are enough opportunities in the pipeline to deliver a strong second half of the year. It is important to note, however, that general economic conditions remain challenging.

Based on this we are proposing that the interim dividend is held at 0.75p (half year to 2016/17 0.75p) to be paid on 18 May 2018.

Financial review

In the six months to 28 February 2018, the group delivered revenue of £1.81m and an operating profit of £0.29m. The half-year EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) was £0.33m, representing 18.5% of revenue (half year to 2016/17, 21.7%).

We are continuing to improve the balance sheet with net assets at £902k (up from £798k last year) and have generated £474k of cash from our operations in the first half of this year following a particularly good debtor collection period. Debtor days are at 41 for the half year down from 55 at the end of August. The business remains debt free and holds a very strong credit rating.

Dividend

Performance over the first half year has been steady but revenue growth is proving difficult to achieve with uncertainty in the market expected to continue beyond the Freshwater year end (31 August 2018) at least until there is greater clarity about the result of Brexit negotiations.

Based on this analysis, and to ensure the 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 1.5 times by half-year profit after income tax. The dividend will be paid on 18 May 2018 to shareholders on the register on 20 April 2018.

Operational review

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

	2018	2017
London Consultancy	17%	24%
Healthcare	19%	20%
Digital	10%	16%
Events*	9%	-
Cardiff Consultancy	18%	16%
Creative Media Production	12%	12%
Waterfront (Conferences and Training)	15%	12%

*Last year the Events and Digital business were combined

The group's top ten clients in the period, accounting for 77% of revenue, were: Thompsons Solicitors, Welsh Government, Unite the Union, Isle of Wight NHS Trust, Royal Berkshire NHS Trust, National Cancer Transformation Programme, Stadler, Salisbury NHS Trust, Specsavers and Association of 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 particularly pleased to note that the group's conference and training division, Waterfront, is performing well. Waterfront had a poor year last year but has picked up again in the first half of this year and is currently on track to meet the full year budget following a number of very successful conference events and a strong growth in sponsorship revenue.

We have extended a number of current consultancy contracts in the first half of the year and secured a number of new clients including Livewell South West, the Oxwich Bay Hotel, Health Catalyst, Pandrol and a new export conference for the UK Government, as well as two new NHS clients.

Outlook

Looking forward through the third quarter of this year (March – May 2018) and beyond, we expect to see a stronger second half, with a modest improvement in revenue levels delivering a healthy profit margin. However, given the half year position and wider economic uncertainties, the business is unlikely to see overall revenue growth for the year as a whole.

We took a conscious decision to invest in our digital offering this year and we are starting to see the results of this investment with some growth and improving visibility in our Digital division. It is still early days, however, the Board will continue to monitor progress closely.

We are also making a significant investment in responding to tenders arising from our place on the Government Communication Service (GCS) PR framework. The revenue impact arising from successful GCS bids is modest so far, but we remain hopeful that the framework will prove to be a valuable source of projects.

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 questions 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 2018**

	6 months to 28 Feb 2018 £	6 months to 28 Feb 2017 £	Year ended 31 Aug 2017 £
TURNOVER	<u>2,357,718</u>	<u>2,386,170</u>	<u>4,520,590</u>
REVENUE	1,805,029	1,902,373	3,772,883
Administrative expenses	<u>(1,510,260)</u>	<u>(1,530,883)</u>	<u>(3,051,129)</u>
OPERATING PROFIT	294,769	371,490	721,754
Finance income	364	2	9,349
Finance costs	<u>(951)</u>	<u>(3,821)</u>	<u>(7,811)</u>
PROFIT BEFORE INCOME TAX	294,182	367,671	723,292
Income tax expense	<u>(58,836)</u>	<u>(77,020)</u>	<u>(146,747)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR	<u>235,346</u>	<u>290,651</u>	<u>576,545</u>
Basic earnings per share for the period/year	<u>1.16p</u>	<u>1.43p</u>	<u>2.84p</u>
Diluted earnings per share for the period/year	<u>1.16p</u>	<u>1.43p</u>	<u>2.84p</u>

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2018

	28 Feb 2018	31 Aug 2017	28 Feb 2017
	£	£	£
ASSETS			
Non-current assets			
Property, plant and equipment	174,063	198,752	215,844
Intangible assets	7,621,252	7,621,775	7,621,362
Deferred tax assets	-	-	-
	<u>7,795,315</u>	<u>7,820,527</u>	<u>7,837,206</u>
Current assets			
Cash and cash equivalents	709,291	553,384	443,598
Trade and other receivables	981,109	1,156,069	1,088,860
	<u>1,690,400</u>	<u>1,709,453</u>	<u>1,532,458</u>
Total assets	<u>9,485,715</u>	<u>9,529,980</u>	<u>9,369,664</u>
EQUITY			
Issued equity capital	2,030,849	2,030,849	2,030,849
Capital reduction reserve	6,034,073	6,338,700	6,491,013
Other reserves	20,000	20,000	20,000
Retained earnings	609,542	374,196	88,302
	<u>8,694,464</u>	<u>8,763,745</u>	<u>8,630,164</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	3,157	3,157	4,939
Long term borrowings	-	-	-
	<u>3,157</u>	<u>3,157</u>	<u>4,939</u>
Current liabilities			
Trade and other payables	729,258	685,065	632,562
Short-term borrowings	-	-	519
Current tax liabilities	58,836	78,013	101,480
	<u>788,094</u>	<u>763,078</u>	<u>734,561</u>
Total liabilities	<u>791,251</u>	<u>766,235</u>	<u>739,500</u>
Total equity and liabilities	<u>9,485,715</u>	<u>9,529,980</u>	<u>9,369,664</u>

FRESHWATER UK PLC

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

	Ordinary shares £	Capital reduction reserve £	Other reserves £	Retained earnings £
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>
Profit and total comprehensive income for the period	-	-	-	285,894
Dividend paid	-	(152,314)	-	-
Transactions with owners	-	(152,314)	-	-
31 August 2017	<u>2,030,849</u>	<u>6,338,700</u>	<u>20,000</u>	<u>374,196</u>
Profit and total comprehensive income for the period	-	-	-	235,346
Dividend paid	-	(304,627)	-	-
Transactions with owners	-	(304,627)	-	-
28 February 2018	<u>2,030,849</u>	<u>6,034,073</u>	<u>20,000</u>	<u>609,542</u>

FRESHWATER UK PLC

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

	6 months to 28 Feb 2018 £	6 months to 28 Feb 2017 £	Year ended 31 Aug 2017 £
Operating profit	294,769	371,490	721,754
Depreciation of property, plant and equipment	38,330	40,713	81,448
Amortisation of other intangible assets	-	473	60
Change in trade and other receivables	175,484	(112,871)	(178,662)
Change in trade and other payables	44,192	(29,564)	21,522
	552,775	270,241	646,122
Interest received	364	2	9,349
Interest paid	(951)	(3,821)	(7,811)
Income taxes paid	(78,013)	(86,746)	(181,720)
Net cash flow from operating activities	474,175	179,676	465,940
Purchase of property, plant and equipment	(13,641)	(13,918)	(37,562)
Net cash flow from investing activities	(13,641)	(13,918)	(37,562)
Repayment of borrowings	-	(5,921)	(6,441)
Dividends paid	(304,627)	(243,702)	(396,016)
Net cash flow from financing activities	(304,627)	(249,623)	(402,457)
(Decrease) / increase in cash and cash equivalents	155,907	(83,865)	25,921
Cash and cash equivalents at the start of the period	553,384	527,463	527,463
Cash and cash equivalent at the end of the period	709,291	443,598	553,384

EXPLANATORY NOTE

Headline EBITDA

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

	6 months to 28 Feb 2018 £	6 months to 28 Feb 2017 £	Year ended 31 Aug 2017 £
Profit before income tax	294,182	367,671	723,292
Finance income	(364)	(2)	(852)
Finance costs	951	3,820	(686)
Depreciation of property, plant and equipment	38,330	40,713	81,448
Amortisation of other intangible assets	-	473	608
EBITDA	<u>333,099</u>	<u>412,675</u>	<u>803,810</u>