freshwater UK PLC
Annual Report and Accounts 2017

Contents

Financial and Operational Highlights for the year ended 31 August 2017

Financial Highlights

	2017	2016
Turnover	£4.52m	£5.05m
Revenue	£3.77m	£3.82m
EBITDA	£0.80m	£0.92m
*[1]Headline EBITDA	£0.80m	£0.91m
Operating profit	£0.72m	£0.84m
Profit before income tax	£0.72m	£0.81m
*[2]Net cash flow from operating activities	£0.65m	£0.75m
Net current assets increased 31%	£0.95m	£0.72m
Earnings per share	2.84p	3.17p

Proposed payment of a final dividend for 2016/17 of 1.10p, following interim dividend of 0.75p paid in May 2017. We are also proposing a special one-off dividend payment of 0.40p

*[1] See note 5 for details on the headline and actual EBITDA calculation.
*[2] Cash flows are stated before interest and tax.

Operational Highlights

- A third consecutive year of over £800k EBITDA and a good set of results against a difficult economic background.
- Balance sheet continues to strengthen with net current assets, including the cash balance, up substantially on last year. We continue to operate debt free and with a strong credit rating.
- Dividend policy continued with a further £396k paid out to shareholders in 2016/17 (2015/16: £376k).
- Secured a place on the prestigious Government Communications Services Campaign Solutions procurement framework. Over 400 agencies applied to be on the framework and Freshwater was one of only 27 agencies to be appointed.
- Another strong performance in the Transport and Healthcare sectors with several new clients on board.
- Continued to win new projects through five Welsh Government supplier frameworks.
- On March 1st 2017 Steve Howell took leave of absence from his role as Chief Executive to take up a temporary role with the Labour Party. John Underwood stepped into the Chief Executive role, and Steve became a Non-Executive Director of Freshwater. Although Steve has now finished working for the Labour Party, this arrangement remains in place due to Steve's writing commitments.

Chief Executive's & Chairman's Statement

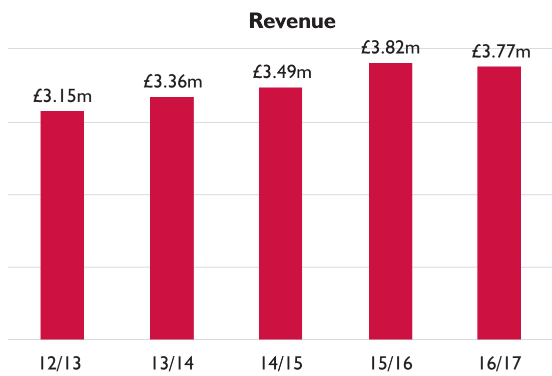
David Howell, Non-Executive Chairman

John Underwood, Chief Executive

Introduction

We are pleased to report that Freshwater UK PLC has delivered another positive set of results and is continuing to deliver healthy profit margins, positive cash flow and an improving, debt-free balance sheet.

After four years of growth, revenue fell one per cent from £3.82m to £3.77m. The decrease was entirely due to a temporary reduction in delegate bookings for Waterfront Conference Company events following the 2016 EU referendum. Revenue in the consultancy divisions was at the same level as in the previous year, despite the generally difficult economic background. . EBITDA remained over £800k for the third year in a row.



Revenue is now 20% higher than in 2012/13 when we started our organic growth drive. Our strategy of prioritising the London market along with the transport and healthcare sectors is working well as these sectors continue to form a substantial part of our revenue stream.

We offer a UK-wide service from our Cardiff and London offices, and in 2016/17 delivered projects across the country from the Isle of Wight to Edinburgh and from Anglesey to Colchester.

In 2016/17 we operated across six divisions each of which was led by a director. These directors, along with the group managing director, the finance director and head of Human Resources, form an effective senior management team responsible for day-to-day operations and delivery of budget targets.

As we moved into 2017/18 we refined our structure and created a dedicated events team and digital team as well as a group director level post dedicated to winning larger opportunities and developing new services and products.

Financial review

Revenue was slightly down in the year at £3.77M (2015/16: £3.82m) with operating profit of £0.72m (2015/16: £0.84m) and EBITDA (Earnings Before Interest Tax, Depreciation and Amortisation) of £0.80m (2015/16: £0.92m).

Uncertainty over the outcome of Brexit negotiations coupled with political uncertainty following the snap election in June 2017 made for difficult trading conditions during 2016/17. We saw a downturn in our conference division with overall delegate numbers down on the previous year and some projects delayed as clients contended with the impact of economic and political news.

EBITDA margin remains significantly above the public relations industry average at 21.3% (2015/16: 23.9%)

Cash flow from operating activities before tax and interest was £0.65m (2016: £0.75m). We closed 2016-17 with an increased cash balance of £0.55m (2016: £0.53m) after paying dividends of £0.39m and tax of £0.18m, including a partial prepayment for the year ahead in line with HMRC rules.

Freshwater's last bank loan was cleared at the beginning of 2015/16 and the business remains debt free. We retain a £0.10m unused overdraft facility with NatWest to provide added working capital headroom should it be needed. Overall, net current assets increased 31% to £0.95m (2015/16: £0.72m).

Freshwater's strong balance sheet means we retain a very strong credit score, which is a positive factor when we pitch for new business particularly in the public sector and with larger clients.

Dividend

The 2016/17 final dividend of 1.20p was paid on 20 January 2017, bringing the total for that year to 1.95p. This was followed by an interim dividend for 2016/17 of 0.75p, which was paid on 18 May 2017.

Given the uncertain economic and political environment described above the board is proposing a slightly lower 1.10p final dividend for 2016/17 (2015/16:1.20p), taking the total for the year to 1.85p (2015/16: 1.95p).

The board is also proposing a special one-off dividend payment of 0.40p. During the last 12 months we have received back from RBS a total of £85,413 in repaid charges and interest resulting from a claim we had made relating to unfairly high fees we incurred when we were in the process of restructuring our facilities in 2010/11

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

Thompsons Solicitors: creating and delivering a public national photography competition highlighting the importance of workplace health and safety

The combined interim and final dividend of 1.85p, plus the 0.40p special dividend makes a total of 2.25p. The interim and final dividend is covered 1.5x by the group's profit after tax for the year.

The 1.10p final dividend plus the 0.40p special dividend will be paid as a combined figure on 12 January 2018 to shareholders on the register on 15 December 2017.

Operational review

The group provided services to 148 clients during the year, with the top ten being: Thompsons Solicitors, Cumbria Success Regime, Welsh Government, Colchester Hospital University NHS Foundation Trust, Unite, Stadler, Specsavers, National Cancer Transformation Programme, Cavendish Square Group and Associated British Ports. The share of revenue of top ten clients combined was 76% compared to 65% in 2015/16.

Freshwater operated through six profit centres in 2016-17 with revenue divided as follows:

London Consultancy	22%
Wales Consultancy	17%
Healthcare (London)	21%
Brand and Channel Consultancy (Cardiff)	16%
Creative Media Production (Cardiff)	12%
Training and Conferences (Waterfront - London-based)	12%

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 51 staff at the year-end, compared to 54 at the end of 2015/16. The company also uses the services of a number of consultants and freelancers for ad hoc projects. Our use of freelancers and consultants has increased in recent years to meet the needs of our clients both geographically and in terms of specialist skills. Freelance and consultant costs account for 7% of the company's total employment costs.

The average annual revenue per full time equivalent employee, including consultants and freelancers, was £79,041 (2015/16: £80,167). The average annual employee costs per full time employee, calculated on the same basis, were £42,844 (2015/16: £40,369).

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

	2016/17	**2015/16**
Private sector	53.3%	45.1%
Public sector	31.7%	33.3%
Voluntary/not-for-profit sector	3.5%	8.5%
Conference and training sectors	11.5%	13.1%

Unite the union: event management of Policy Conference 2017

Operational Review (continued)

The breakdown of company 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). Market breakdown was as follows:

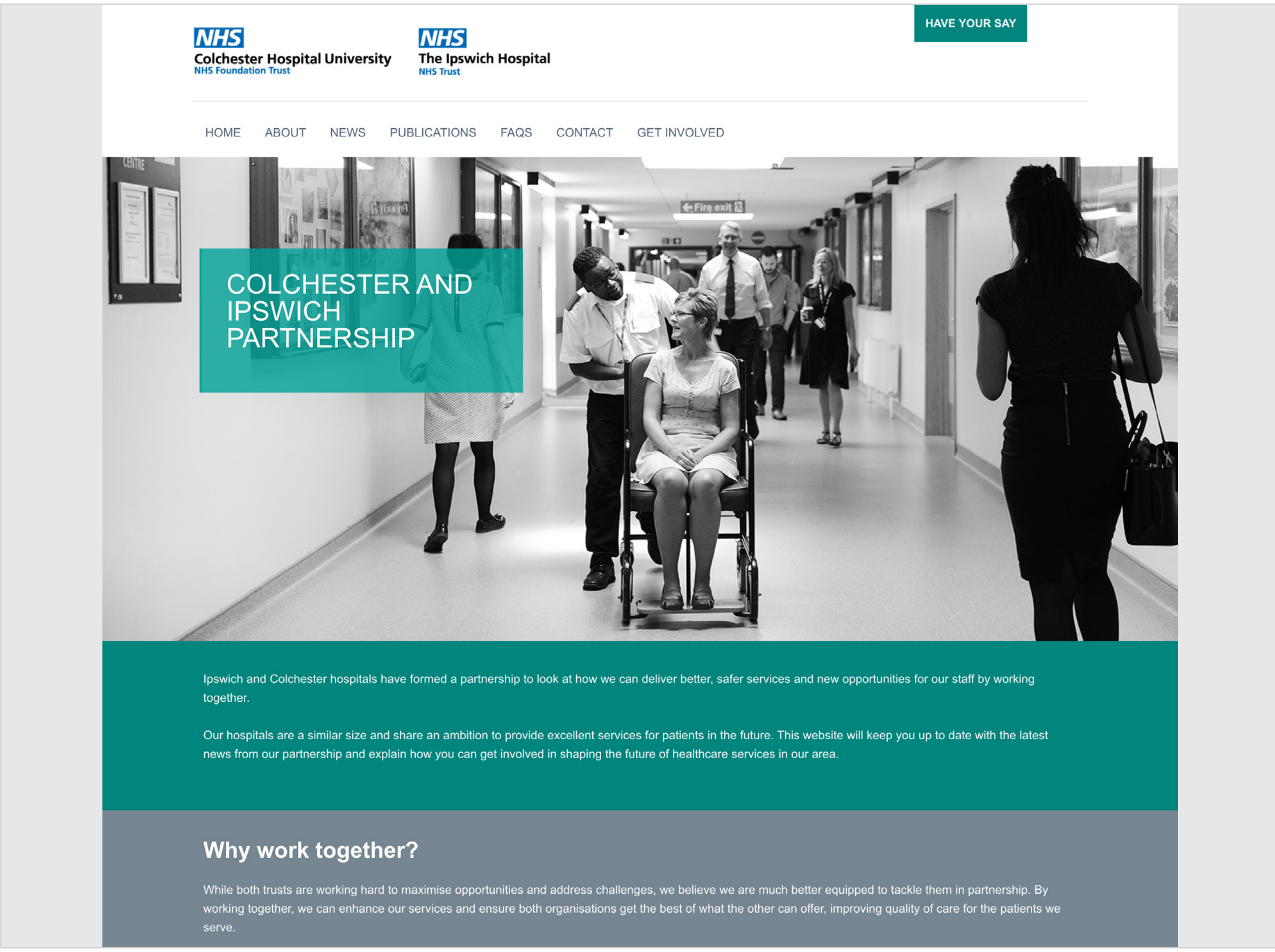
	2016/17	2015/16
Professional & Business Services	43.4%	41.4%
Healthcare	27.5%	29.9%
Transport	13.9%	15.7%
Industry	0.6%	4.5%
Consumer & Retail	11.0%	3.8%
Education	1.9%	2.7%
Leisure & Hospitality	1.2%	1.0%
Housing & Property	0.5%	1.0%

Notable new business successes during the year included new work for Stadler, Henry Howard Finance, Van Sport, Gower College Swansea and several new 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.

Willows Activity Farm: launching the world's first Peter Rabbit attraction

Freshwater was selected to join the Government Communications Services Campaign Solutions procurement framework. Over 400 agencies applied to be on the framework and Freshwater was one of only 27 agencies to be appointed.

Our conference company subsidiary (Waterfront) suffered a reduction in the number of delegates attending its conferences but it managed to deliver its best ever year for sponsorship sales. The division now has a very well established portfolio of around 30 annual policy conferences.



NHS Colchester Hospital University and NHS The Ipswich Hospital: website design, build and copywriting

Operational Review (continued)

Welsh Government 'Parenting. Give it Time' campaign: multi-channel communications including social media and digital marketing

Waterfront also continues to provide an invaluable networking platform for the wider group in the policy fields on which it focuses: transport, energy and planning/infrastructure. With an increasing focus on sponsorship through 2016/17 it is now a strong generator of contacts and leads for the rest of the group.

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 2017/18 operating an internship scheme with two posts filled at the real Living Wage rate.

In February 2017, the Board announced that Steve Howell, the chief executive of Freshwater UK, was to take up a senior role with the Labour Party. Freshwater's deputy chief executive, John Underwood, has stepped in as chief executive and Steve will remain on the Freshwater Board as a non-executive director.

Marie Louise-Windeler stepped down from the board on the 31st May 2017 after almost nine years of service and we would like to take this opportunity to thank her for her valuable contribution to Freshwater and to wish her well for the future.

Outlook

Freshwater has been established now for just over 20 years and has been operating under the Freshwater brand for over a decade. It is one of the top UK agencies to be headquartered outside of London.

2017/18 will be a year of challenging trading conditions as we approach the UK's exit from the European Union but Freshwater's strong balance sheet, debt free position and record of above average performance means the company is well-placed to weather the difficulties of the period ahead. The board is particularly focussed in the coming year on reducing the company's reliance on a small number of large clients.

The company has for some time been actively engaged in succession planning, as evidenced by previously announced changes at board level.

It has a stable, committed and loyal workforce which continues to deliver high levels of creativity and value for our clients. The board wishes to express its thanks to our staff without whom the results of the past few years would not have been possible.

David Howell
Chairman

John Underwood
Chief Executive

Stadler: providing its first ever communications support in the UK

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, Non-Executive Director

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 has provided 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. In 2017, Steve accepted the role of Deputy Director of Strategy and Communications for the Labour Party and played a key role in the June 2017 general election campaign.

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, Chief Executive

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.

Angharad Neagle, Group Managing Director

Angharad Neagle has worked in the communications industry for more than 19 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

Sarah Whittle
Head of Human Resources

Matthew Warrilow
Accountant

Carolyn Pugsley
Director, Wales

Lucy Battle
Director, London

Aled Edwards
Director, Events

Heather Jones
Director, Sustainability Transformation Unit

Elinor Evans
Director, Digital: Strategy and Marketing

Saffron Pineger
Director, Healthcare

Nicola Roberts
Director, Creative

Mitchell Gadd
Senior Account Director, Healthcare

Louise Harris
Senior Account Director, London

Strategic Report

The directors present their strategic report for the year ended 31 August 2017.

Business review

We have now delivered a fifth year of positive results since 2012/13 when we started the focus on prioritising the London market and focusing on the sectors that we saw as having the greatest potential such as Transport and Healthcare. Our financial position continues to strengthen and we continue to operate debt free with a healthy cash balance after paying out dividends of £0.39m. Net Current Assets are up 31% in the year to £0.95m.

We provided services to over 140 clients in the year across a range of sectors.

Financial review

The profit and total comprehensive income for the year amounted to £576,545 (2016: £643,517).

All the group's key trading and financial indicators remain strong and although we have seen some metrics lower than last year, profitability remains significantly above industry averages, operating cash flow remains high, and net current assets strengthened by 31% to £0.95m in the year. We continue to operate debt free and with a strong credit rating.

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 fundamentally about client relationships which are central to the success of the business. However, some client turnover is normal and is to be expected. The business puts a good deal of effort into ensuring a wide 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 2017, Freshwater provided services to over 140 clients across 8 sectors.

Economic

Our industry like others has not been immune to the recent prolonged economic downturn particularly as our client base is almost exclusively UK based. We believe, however, that Freshwater is well placed to compete in these challenging times and is helped in this respect by its broad base of clients and sectors as well as its 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 single 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 should 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 figures 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:

	2016/17	**2015/16**
Revenue	£3.77m	£3.82m
EBITDA as a % of revenue – (KPI 20%)	21.3%	23.9%
Average revenue per FTE employee	£79,041	£80,167
Employee costs as a proportion of revenue	54%	51%
(Including freelancers and consultants) – (KPI 55%)		

We also monitor trends in client revenue and endeavour to achieve a mix that is not too reliant on any one sector or client.

Current Trading and Outlook

Results since 2012/13 have been encouraging. They have seen Freshwater improve its balance sheet and deliver industry leading levels of profitability. Difficult economic conditions, market uncertainly and the need for continuing investment in new digital skills will combine to make 2017/18 a challenging year. However, we believe we have the fundamentals in place to ensure continuing profitability at levels in excess of the industry average.

This report was approved by the board on 28 November 2017 and signed on its behalf by

J H Evans

Finance Director

The directors present their report and the audited financial statements for the year ended 31 August 2017.

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 19. The board is proposing to pay a final dividend of 1.10p per ordinary share during 2017-18, adding to the 0.75p interim dividend paid in May 2017, plus a special dividend of 0.40p. The company paid total dividends of 1.95p per ordinary share during 2016-17.

Post balance sheet events

During October 2017 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 2017
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	31 May 2017	
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 2016	31 August 2017	31 August 2016	31 August 2017
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%
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 (2016: 40) and 37 for the group (2016: 37).

Political and Charitable Donations

During the year the group did not make any political donations (2016: £1,390) and charitable donations of £1,176 (2016: £1,075). 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	31 May 2017
S B Howell	1 June 2017	

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	31 May 2017
S B Howell	1 June 2017	

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.

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 (5)	-	-
M-L Windeler	5 (4)	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 re-appoint Broomfield & Alexander Ltd as auditor to the company was passed at the AGM in February 2017.

This report was approved by the board on 28th November 2017 and signed on its behalf by:

J H Evans
Finance Director

Statement of Directors' responsibilities for the year ended 31 August 2017

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

Opinion

We have audited the financial statements of Freshwater UK Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2017 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. 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.

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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Ian Thomas BSc FCA DChA (Senior Statutory Auditor)

for and on behalf of Broomfield & Alexander Limited
…………………………………

Chartered Accountants
Statutory Auditor

Ty Derw
Lime Tree Court
Cardiff Gate Business Park
CARDIFF
UK
CF23 8AB

Consolidated statement of comprehensive income for the year ended 31 August 2017

	Note	2017	2016
		£	£
TURNOVER		**4,520,590**	5,045,000
REVENUE		**3,772,883**	3,823,459
Administrative expenses		**(3,051,129)**	(2,981,354)
OPERATING PROFIT		**721,754**	842,105
Finance income	**7**	**9,349**	1,427
Finance costs	**7**	**(7,811)**	(29,389)
PROFIT BEFORE INCOME TAX	**5**	**723,292**	814,143
Income tax expense	**8**	**(146,747)**	(170,626)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**576,545**	643,517
Basic earnings per share	**25**	**2.84p**	3.17p
Diluted earnings per share	**25**	**2.84p**	3.17p

The notes on pages 26 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 £17,484 (2016: £19,287 loss).

Consolidated statement of financial position at 31 August 2017

	Note	2017 £	2016 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	**198,752**	242,638
Intangible assets	11	**7,621,775**	7,621,835
Deferred tax assets	21	**-**	-
		7,820,527	7,864,473
Current assets			
Cash and cash equivalents	16	**553,384**	527,463
Trade and other receivables	15	**1,156,069**	977,406
		1,709,453	1,504,869
Total assets		**9,529,980**	9,369,342
EQUITY			
Issued equity capital	22	**2,030,849**	2,030,849
Capital reduction reserves	23	**6,338,700**	6,734,715
Other reserves	22	**20,000**	20,000
Sustained losses		**374,196**	(202,349)
		8,763,745	8,583,215
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	20	**3,157**	4,939
Long term borrowings	18	**-**	-
		3,157	4,939
Current liabilities			
Trade and other payables	17	**685,065**	663,543
Short-term borrowings	18	**-**	6,441
Current tax		**78,013**	111,204
		763,078	781,188
Total liabilities		**766,235**	786,127
Total equity and liabilities		**9,529,980**	9,369,342

The notes on pages 26 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 30th November 2017 by:

J M Underwood
Chief Executive

J H Evans
Finance Director

Company statement of financial position at 31 August 2017

	Note	2017 £	2016 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	**198,752**	242,638
Intangible assets	11	**6,352,284**	6,352,892
Investments in subsidiary undertakings	12	**1,623,125**	1,623,125
Deferred tax assets	21	**-**	-
		8,174,161	8,218,655
Current assets			
Cash and cash equivalents	16	**397,223**	60,292
Current tax		-	50,001
Trade and other receivables	15	**253,387**	103,584
		650,610	213,877
Total assets		**8,824,771**	8,432,532
EQUITY			
Issued equity capital	21	**2,030,849**	2,030,849
Capital reduction reserves	22	**6,338,700**	6,734,715
Other reserves	21	**20,000**	20,000
Sustained losses		**(1,917,798)**	(2,017,513)
		6,471,751	6,768,051
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	20	**3,157**	4,939
Long term borrowings	19	**-**	-
		3,157	4,939
Current liabilities			
Trade and other payables	17	**2,349,863**	1,653,101
Short-term borrowings	18	**-**	6,441
		2,349,863	1,659,542
Total liabilities		**2,353,020**	1,664,481
Total equity and liabilities		**8,824,771**	8,432,532

The notes on pages 26 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 30th November 2017 by:

J M Underwood
Chief Executive

J H Evans
Finance Director

Consolidated statement of changes in equity for the year ended 31 August 2017

	Note	Ordinary shares £	Capital reduction reserve £	Other reserves £	Retained earnings £
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	**23**	-	(375,707)	-	-
Transactions with owners		**-**	**(375,707)**	**-**	**-**
31 August 2016		**2,030,849**	**6,734,715**	**20,000**	**(202,349)**
Profit and total comprehensive income for the year		-	-	-	576,545
Dividends paid	**23**	-	(396,016)	-	-
Transactions with owners		**-**	**(396,016)**	**-**	**-**
31 August 2017		**2,030,849**	**6,338,700**	**20,000**	**374,196**

Company statement of changes in equity for the year ended 31 August 2017

	Note	Ordinary shares £	Capital reduction reserve £	Other reserves £	Retained earnings £
31 August 2014		**2,030,849**	**7,110,422**	**20,000**	**(1,998,226)**
Loss and total comprehensive income for the year		-	-	-	(19,287)
Dividends paid	**23**	-	(375,707)	-	-
Transactions with owners		**-**	**(375,707)**	**-**	**-**
31 August 2016		**2,030,849**	**6,734,715**	**20,000**	**(2,017,513)**
Profit and total comprehensive income for the year		-	-	-	99,715
Dividends paid	**23**	-	(396,016)	-	-
Transactions with owners		**-**	**(396,016)**	**-**	**-**
31 August 2016		**2,030,849**	**6,338,700**	**20,000**	**(1,917,798)**

Consolidated statement of cash flows for the year ended 31 August 2017

	Note	2017 £	2016 £
Operating profit		**721,754**	842,105
Depreciation of property, plant and equipment	**10**	**81,448**	64,241
Amortisation of other intangible assets	**11**	**60**	17,799
Gains on derivative financial instrument			(21,433)
Net losses on disposal of fixed assets	**10**		11,605
Change in trade and other receivables		**(178,662)**	(210,774)
Change in trade and other payables		**21,522**	46,266
		646,122	749,809
Interest received		**9,349**	1,427
Interest paid		**(7,811)**	(29,389)
Income taxes paid		**(181,720)**	(167,993)
Net cash flow from operating activities		**465,940**	553,854
Proceeds from disposals of property, plant and equipment	10		9,500
Purchase of property, plant and equipment	**10**	**(37,562)**	(100,122)
Net cash flow from investing activities		**(37,562)**	(90,622)
Repayment of borrowings		(6,441)	(10,186)
Dividends paid	23	(396,016)	(375,707)
Net cash flow from financing activities		**(402,457)**	(385,893)
Increase in cash and cash equivalents		**25,921**	77,339
Cash and cash equivalents at the start of the period	**16**	**527,463**	450,124
Cash and cash equivalents at the end of the period	**16**	**553,384**	527,463

Company statement of cash flows for the year ended 31 August 2017

	Note	2017 £	2016 £
Operating (loss) / profit		**85,308**	11,790
Depreciation of property, plant and equipment	**10**	**81,448**	64,241
Amortisation of other intangible assets	**11**	**608**	996
Gains on derivative financial instrument			(21,433)
Net losses on disposal of fixed assets	**10**		11,605
Change in trade and other receivables		**(149,803)**	(10,009)
Change in trade and other payables		**(696,761)**	4,075
		(679,200)	61,265
Interest received		**9,349**	1,426
Interest paid		**(2,823)**	(21,025)
Income taxes paid		**50,001**	(50,001)
Net cash flow from operating activities		**(622,673)**	(8,335)
Proceeds from disposals of property, plant and equipment	**10**		9,500
Purchase of property, plant and equipment	**10**	**(37,562)**	(100,122)
Net cash flow from investing activities		**(37,562)**	(90,622)
Repayment of borrowings		**(6,441)**	(10,186)
Change in intra group funding		**1,399,623**	215,184
Dividends paid	**23**	**(396,016)**	(375,707)
Net cash flow from financing activities		**997,166**	(170,709)
Increase in cash and cash equivalents		**336,931**	(269,666)
Cash and cash equivalents at the start of the period	**16**	**60,292**	329,958
Cash and cash equivalents at the end of the period	**16**	**397,223**	60,292

Notes to the financial statements for the year ended 31 August 2017

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 2017 ('the financial statements') were authorised for issue by the company's board on 28th November 2017 and signed on the board's behalf by J Underwood 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.

- 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

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 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 9, Financial Instruments – effective for annual periods beginning on or after 1 January 2018
- 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
- 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

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. 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) 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.

k) Trade payables

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

4. Significant accounting policies (continued)

l) Borrowings

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

m) 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.

n) 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.

o) 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.

p) 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.

5. Profit before income tax

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

	2017	2016
	£	£
Depreciation of property, plant and equipment	**81,448**	64,241
Amortisation of other intangible assets	**608**	17,799
Amounts payable under operating leases	**160,839**	172,573
Gains on disposal of property, plant and equipment	**-**	(9,500)
Losses on disposal of property, plant and equipment	**-**	21,105
Gains on derivative contract	**-**	(21,433)
Employee costs	**2,045,107**	1,932,341

Within depreciation of property, plant and equipment is £8,491 (2016: £8,855) 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 19.

	2017	2016
	£	£
Profit before income tax	**723,292**	814,143
Finance income	**9,349**	(1,427)
Finance costs	**(7,811)**	20,501
Depreciation of property, plant and equipment	**81,448**	64,241
Amortisation of other intangible assets	**608**	17,799
EBITDA	**803,810**	915,257
Net losses on disposal of property, plant and equipment	**-**	11,605
Unrealised gains on derivative financial instrument	**-**	(21,433)
Headline EBITDA	**803,810**	905,429

6. Employee costs

	2017	2016
	£	£
Wages and salaries	**1,754,880**	1,663,342
Social security costs	**201,829**	173,661
Other pension costs	**88,398**	95,338
	2,045,107	1,932,341

The company remains the main employer within the group. See note 27 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. There were no bonuses paid for 2016-17 (2015-16: £71,091). 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:

	2017	2016
Directors	**6**	6
Administrative	**6**	6
Public Relations and Marketing Services	**41**	38
	53	50

7. Finance income and costs

Finance income

	2017	2016
	£	£
Interest receivable on deposit	**9,349**	1,427

Finance costs

	2017	2016
	£	£
Close out of derivative instrument	**-**	8,888
Interest payable and charges on borrowings and overdrafts	**7,525**	18,846
Finance lease interest payable	**286**	1,655
	7,811	29,389

8. Taxation

	2017	2016
	£	£
Current taxation		
UK corporation tax on profits for the year	**148,529**	161,205
Deferred taxation		
Origination and reversal of temporary differences	**(1,782)**	9,421
Adjustments in respect of prior periods	**-**	-
Income tax expense	**146,747**	170,626
Profit before income tax	**840,473**	814,143
Effective tax rate	**17.46%**	20.96%
Profit before tax at the standard rate of UK corporation tax of 20.00% (2016: 20.00%)	**164,565**	162,829
Non-deductible expenses	**6,131**	8,659
Capital allowance movements	**-**	104
Losses Utilised	**-**	(966)
Exceptional item not taxed	**(22,599)**	-
Deferred tax not recognised	**-**	-
Other timing differences	**(1,350)**	-
Income tax expense	**146,747**	170,626

The effective rates of 17.46% and 20.96% for 2016-17 and 2015-16 respectively primarily reflect the measurement of deferred tax assets relating to losses carried forward and the origination and reversal of temporary differences. The group had no utilised losses in 2016-17 (£966 in 2015-16).

9. Auditor's remuneration

	2017	2016
	£	£
Fees payable by the company to the company's auditor for the audit of the company's annual accounts	**4,200**	4,000
Fees payable by the group to the company's auditor for other services:		
Audit of the company's subsidiaries	**17,900**	17,500
Tax Services	**4,350**	4,250
Other services	**-**	3,500
	26,450	29,250

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.

10. Property, plant and equipment

Group and company

	Leasehold land and buildings	Plant and machinery	Motor Vehicles	Fittings and equipment	Total
	£	£	£	£	£
Cost					
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**
Additions	-	-	-	37,562	37,562
Disposals	-	-	-	(361,703)	(361,703)
31 August 2017	**-**	**-**	**-**	**978,478**	**978,478**
Depreciation					
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**
Disposals	-	-	-	(361,703)	(361,703)
Charge for the year	-	-	-	81,448	81,448
31 August 2017	**-**	**-**	**-**	**779,726**	**779,726**
Net book value					
31 August 2017	**-**	**-**	**-**	**198,752**	**198,752**
31 August 2016	**-**	**-**	**-**	**242,638**	**242,638**
31 August 2015	**-**	**-**	**-**	**227,862**	**227,862**

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 2015-16 and 2016-17 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.

There were no disposals in 2016-17 (2015-16: £9,500).

10. Property, plant and equipment (continued)

Finance leased assets

No finance leases were entered into by the company during 2016-17 and 2015-16.

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

	2017	2016
	£	£
Fittings and equipment	**-**	5,992
	-	5,992

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

			2017			2016
	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**	**148,190**	**3,133,170**	2,984,980	130,391	3,115,371
Amortisation	**-**	**60**	**60**	-	17,799	17,799
Closing balance	**2,984,980**	**148,250**	**3,133,230**	2,984,980	148,190	3,133,170
Carrying value at end of year	**7,621,775**	**-**	**7,621,775**	7,621,775	60	7,621,835
Carrying value at start of year	**7,621,775**	**60**	**7,639,634**	7,621,775	17,859	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 £0 (2015-16: £996) and relating to the internally generated asset is £0 (2015-16: £16,803). 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)

c) Company

	Goodwill	**Other**	**2017 Total**	Goodwill	Other	2016 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**	**19,392**	**2,458,694**	2,439,302	18,396	2,457,698
Impairment	**-**	**-**	**-**	-	-	-
Amortisation	**-**	**608**	**608**	-	996	996
Closing balance	**2,439,302**	**20,000**	**2,459,302**	2,439,302	19,392	2,458,694
Carrying value at end of year	**6,352,284**	**-**	**6,352,284**	6,352,284	608	6,352,892
Carrying value at start of year	**6,352,284**	**608**	**6,352,892**	6,352,284	1,604	6,353,888

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 2018 and 31 August 2019 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 2016-17, 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 2016, 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 to 3% in years 3 to 10, the outcome from the review meant a £245,344 impairment charge against the group's profits would be appropriate. Also, if the discount rate were increased by 1.5% the group would have £0.17m headroom from impairment.

12. Investments in subsidiary undertakings

	2017	2016
	£	£
Opening and closing balance	**1,623,125**	1,623,125

There are no impairments to investments in line with the 2016-17 and 2015-16 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 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	2017 £	2016 £
Cash and cash equivalents	16	553,384	527,463
Trade receivables	15	837,823	761,410
Other receivables	15	647	300
Financial assets		**1,391,854**	**1,289,173**
Trade payables	17	196,105	248,840
Other payables and accruals	17	102,660	179,116
Borrowings	28	-	6,441
Financial liabilities at amortised cost		**298,765**	**434,397**
Financial liabilities		**298,765**	**434,397**

b) Company

	Note	2017 £	2016 £
Cash and cash equivalents	16	397,223	60,292
Other receivables	15	347	-
Amounts owed by group undertakings	15	183,710	157,732
Financial assets		**581,280**	**218,024**
Trade payables	17	80,135	98,718
Other payables and accrued expenses	17	52,033	68,037
Amounts owed to group undertakings	17	2,188,963	1,464,096
Borrowings	18	-	6,441
Financial liabilities at amortised cost		**2,321,131**	**1,637,292**
Financial liabilities		**2,321,131**	**1,637,292**

14. Financial assets and liabilities (continued)

During the year ended 31 August 2017 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 2017..

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 18. 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 and 18.

15. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Gross trade receivables	**839,823**	767,410	**-**	-
Provision for impairment	**(2,000)**	(6,000)	**-**	-
Unimpaired trade receivables	**837,823**	761,410	**-**	-
Accrued income	**169,871**	80,905	**-**	-
Prepayments	**147,728**	134,791	**69,330**	61,271
Other receivables	**647**	300	**347**	-
	318,246	215,996	**69,677**	61,271
Gross amounts owed by group undertakings	**-**	-	**183,710**	157,732
Provision for impairment	**-**	**-**		(115,419)
Unimpaired amounts owed by group undertakings	**-**	-	**183,710**	42,313
	1,156,069	977,406	**253,387**	103,584

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 2017	**839,823**	**440,924**	**350,723**	**15,675**	**8,037**	**24,464**
31 August 2016	761,410	411,938	244,354	42,632	37,551	24,935

Provisions for impairment

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

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Opening balance	**6,000**	17,933	**-**	-
Provision for impairment	**4,274**	-	**-**	-
Trade receivables written off	**(8,274)**	(11,933)	**-**	-
Closing balance	**2,000**	6,000	**-**	-

See note 27 in relation for further details on the provision for impairment of gross amounts owed by group undertakings.

16. Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	£	£	£	£
Group current accounts	**251,367**	525,757	**95,206**	58,586
Building Society deposit account	**302,017**	1,706	**302,017**	1,706
	553,384	527,463	**397,223**	60,292

In October 2017 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 2016-17 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 2018.

Overdraft 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 the base rate was 0.50%.

17. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Trade payables	**196,105**	248,840	**80,135**	98,718
Other taxes and social security	**191,528**	156,607	**28,732**	22,250
Other payables and accrued expenses	**102,660**	179,116	**52,033**	68,037
Deferred income	**194,772**	78,980	**-**	-
Amounts owed to group undertakings	**-**	-	**2,188,963**	1,464,096
	685,065	663,543	**2,349,863**	1,653,101

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 2017	**196,105**	**115,289**	**54,577**	**26,239**
31 August 2016	248,840	99,005	120,531	29,304

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 2017	**80,135**	**31,318**	**33,185**	**15,632**
31 August 2016	98,718	32,660	45,863	20,195

18. Borrowings

Group and company

31 August 2017	Current £	> 1 but < 2 yrs £	> 2 but < 5 yrs £	> 5 yrs £	Non current £	Total £
Fixed rate						
£28,720 finance lease	-	-	-	-	-	-
Total capital	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-
Total repayments	-	-	-	-	-	-

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

The above interest payable amounts are estimates made at each point in time. The group's borrowings on 31 August 2017 and 31 August 2016 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.

18. Borrowings (continued)

Apart from the finance leases identified above, the group's borrowings on 31 August 2017 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 2015-16 and 2016-17 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.

	2017	2016	2015
	£	£	£
Floating rate borrowings	**-**	-	-
Amortised nominal value of swap at year end	**-**	-	(286,077)
	-	-	(286,077)

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 2017, estimated interest charges are nil.

19. Operating & finance lease commitments

Operating leases

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

	Group		**Company**	
	2017	2016	**2017**	2016
	£	£	**£**	£
Payable < 1 year	**160,839**	138,888	**160,839**	138,888
Payable > 1 year < 5 years	**201,845**	201,845	**201,845**	201,845
	362,684	340,733	**362,684**	340,733

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

19. 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	
	2017	2016
	£	£
Payable < 1 year	**-**	6,622
Payable > 1 year < 5 years	**-**	-
	-	16,622

The present value of minimum lease payments, are as follows, discounted at a pre-tax rate of 13.0% (2015-16: 13.0%), consistent with the discount factor referenced in note 11 applied for impairment review.

	Group & Company	
	2017	2016
	£	£
Payable < 1 year	**-**	6,622
Payable > 1 year < 5 years	**-**	-
	-	6,622

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.

20. Deferred taxation

Deferred tax assets

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Opening balance	**-**	(6,539)	**-**	(6,539)
Expense for the year	**-**	6,539	**-**	6,539
Closing balance	**-**	-	**-**	-

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	
	2017	2016	**2017**	2016
	£	£	**£**	£
Opening balance	**4,939**	2,057	**4,939**	-
Expense for the year	**(1,782)**	2,882	**(1,782)**	4,939
Closing balance	**3,157**	4,939	**3,157**	4,939

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

21. Share capital and other reserves

	Allotted, called up and fully paid Ordinary No	Par
31 August 2015	20,308,493	10p
Authorised / issued	-	
31 August 2016	20,308,493	10p
Authorised / issued	-	
31 August 2017	**20,308,493**	10p

Other reserves

Other reserves of £20,000 (2015-16: £20,000) reflects the group and company's share option reserve. There are no movements in the reserve account during 2016-17 or 2015-16. See note 24 for further details on option valuation.

22. 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 2016-17 the company paid dividends from the Capital Reduction Reserve totalling £396,016 to its shareholders (2015-16: £375,707). See note 23 for further details.

23. 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 2016-17 the group paid a final dividend for 2015/16 of 1.2p per ordinary share totalling £243,702 and an interim dividend payment for 2016/17 of 0.75p per ordinary share totalling £152,314, released to shareholders in January and May 2017 respectively. The board have proposed a final dividend payment for 2016/17 of 1.10p per ordinary share worth £223,393 to be payable in 2017-18. The board is also proposing a special one-off dividend payment of 0.40p worth £81,234. During the last 12 months we have received back from RBS a total of £85,413 in repaid charges and interest resulting from a claim we had made relating to unfairly high fees we incurred when we were in the process of restructuring our facilities in 2010/11 and the group are going to return this amount to shareholders.

These dividends were not accrued in the consolidated statement of financial position or the company statement of financial position.

24. 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 16	**Options granted**	**Options lapsed**	**Options exercised**	**Options in issue at 31 Aug 17**
EMI scheme	4463,600	-	(11,600)	-	**452,000**

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.

25. Share options (continued)

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.

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 2017, there have been no further options issued.

25. Earnings per share

Basic and diluted earnings per share

	2017	2016
	£ / no.	£ / no.
Profit and total comprehensive income attributable to ordinary shareholders	**576,545**	643,517
Weighted average number of ordinary shares	**20,308,493**	20,308,493
Basic earnings per share	**2.84p**	3.17p

All share options issued prior to 31 August 2017 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.

26. 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 22 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.

26. Capital management (continued)

	2017	2016
	£	£
Borrowings	-	6,441
Equity	**8,910,493**	8,583,215
Capital	**8,910,493**	8,589,656
Gearing ratio	**0.0%**	0.1%
Interest cover	**-**	30.1

27. 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	
	2017	2016	2017	2016
	£	£	£	£
Wages, salaries	**389,508**	417,729	**308,099**	296,023
Social security costs	**45,565**	45,627	**35,974**	33,394
Other pension costs	**19,431**	49,640	**13,958**	8,881
	454,504	512,996	**358,031**	338,298

27. 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 £101,834 (2016: £127,051). During the year contributions became payable by the group in relation to a money purchase pension scheme for 4 directors (2016: 4). The contributions that became payable by the group in relation to the highest paid director amounted to £4,701 (2016: £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 2017 the company charged other group members £2,207,781 (2016: £1,983,676) for the provision of labour and £462,031 (2016: £463,152) for the provision of administrative services. The company additionally settled other group members' VAT liabilities during 2016-17 and 2015-16. The parent company did not receive any dividends from its subsidiaries during 2016-17.

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**	
	2017	2016	**2017**	2016
	£	£	**£**	£
Freshwater (UK Regions) Limited	**-**	-	**2,709,483**	1,464,096
Waterfront Conference Company Limited	**-**	42,313	**111,913**	-
	-	42,313	**2,821,396**	1,464,096

Company Information

Directors	D Howell (Non-Executive Chairman) S B Howell (Non-Executive Director) J H Evans (Finance Director) J M Underwood (Chief Executive) 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	Link Asset Services 6th Floor 65 Gresham Street London EC2V 7NQ
Solicitors	Shakespeare Martineau 1 Colmore Square Birmingham B4 6AA